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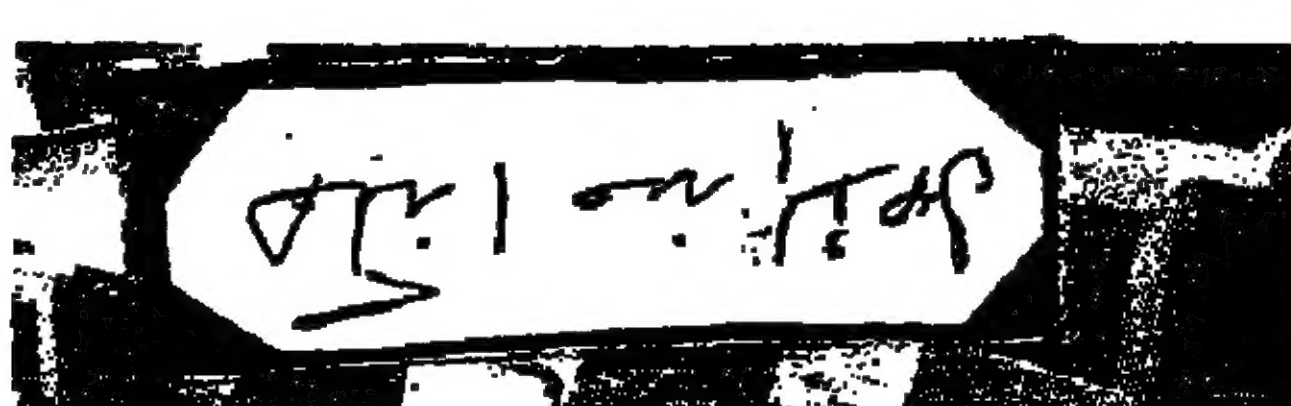


Investment in China
A magnet for ethnic
Chinese in SE Asia

Page 14

Computers
Should you
downsize?

Page 12

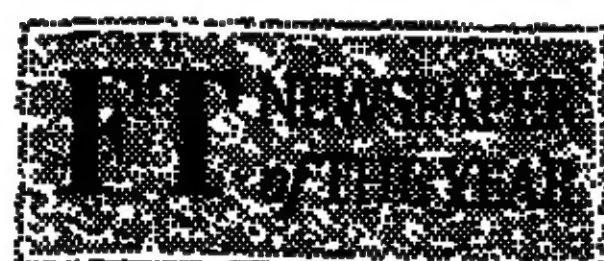


World trade
Anti-dumping actions
get out of hand

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Italy: finance
and investment

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FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY DECEMBER 15 1992

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Israel takes tough line on issue of kidnapped soldier

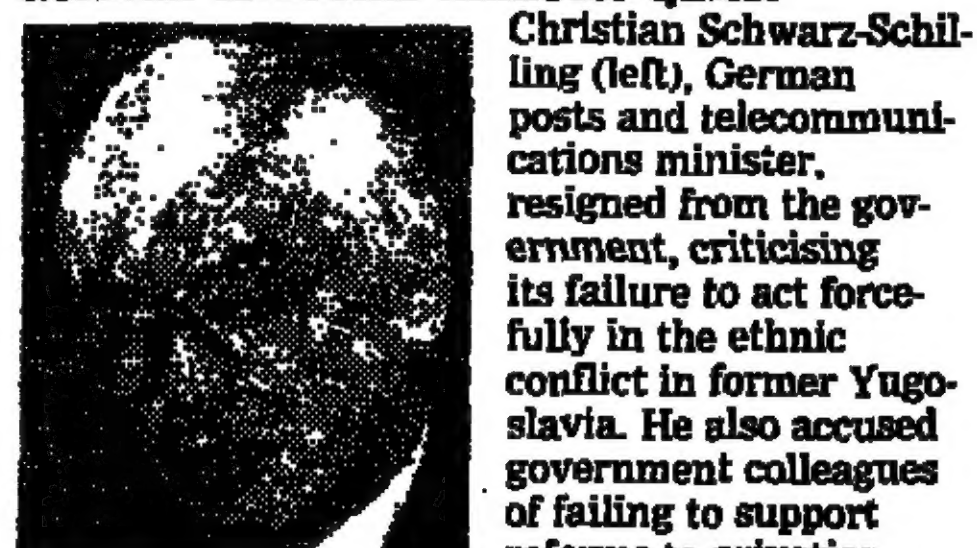
Israel demanded evidence that a soldier kidnapped by Islamic fundamentalists was alive before it would consider talks on the release of a jailed Palestinian leader. The authorities stepped up the hunt for the missing man, sealing off the occupied West Bank and Gaza Strip and placing hundreds of thousands of Palestinians under curfew. Page 16; Editorial Comment, Page 14

Lombard League scores success: The populist Lombard League became the largest party in northern Italy at the expense of the long-ruling Christian Democrats and Socialists after elections covering 55 municipalities. Page 16

Pisons, UK pharmaceuticals group, continued its restructuring by selling its consumer healthcare business to Hoffmann-La Roche of Switzerland for \$90m (\$137m). Page 17; Lex, Page 16

Karadzic proposes end to war: Radovan Karadzic, the Bosnian Serb leader, said he would propose to his parliament a unilateral end to the war, though Sarajevo yesterday continued to suffer mortar fire and shelling. Page 2

German telecoms minister quits: Christian Schwarz-Schilling (left), German posts and telecommunications minister, resigned from the government, criticising its failure to act forcefully in the ethnic conflict in former Yugoslavia. He also accused government colleagues of failing to support reforms to privatise the German postal and telecoms services. Page 2



the German postal and telecoms services. Page 2

Japan's trade surplus soars: Japan's trade surplus last month rose by 18.5 per cent to \$7.6bn, largely owing to a sharp fall in imports, but trade officials expressed willingness to talk to the Clinton administration on a new approach to trade frictions. Page 3

Marines set sights on Baidoa: US troops prepared to take control of Baidoa, the "City of Death" at the centre of Somalia's hunger zone where up to 100 people are dying each day. Page 16; Soldiers bring security. Page 3

Dan-Air inquiry launched: The European Commission launched an inquiry into the competitive implications on air services between Belgium and the UK of British Airways' acquisition of Dan-Air, the financially ailing UK-based regional carrier. Page 16 and Lex

Time Warner, US media and entertainment group, aims to reduce its \$9bn borrowings by a third within three years by selling assets or issuing asset-backed bonds. Page 20

Uruguay rejects privatisation: Uruguayan blocked government privatisation projects by an overwhelming majority in a referendum, preventing the sell-off of 51 per cent of the Antel Telephone Company. Page 4

Maho, stricken German machine-tool group, confirmed it was in collaboration talks with its rival Decker. Page 17

Toyota Motor, Japan's leading carmaker, warned of a further sharp decline in profits as a result of sluggish sales in the Japanese market. Page 19

Tesaco, US energy group, said Alfred DeCrane, chairman for the past five years, would take over as chief executive next April, after the retirement of James Kinnear, who has been president and chief executive since 1987. Page 20

Ocean joins white goods groups: A project to create a European alliance of domestic appliance makers was strengthened when Italy's Ocean joined a group started by France's Thomson Electronique and Spain's Pagar. Page 17

India purges activists: Police arrested more than 1,500 Hindu activists and closed the offices of three outlawed groups accused of inciting last week's Hindu-Muslim riots. Page 3

DSM, Dutch chemicals group, reconfirmed the dire state of the European petrochemicals industry by announcing a temporary cut in production between Christmas and January 1 next year. Page 19

Eastern Electricity, one of Britain's leading power distributors, gave coal a boost by becoming the first regional distributor to sign a new deal for coal-based power. Page 8

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,711.18 (+5.0)	New York: DOW	1,587
Yield	4.48	London	1,586 (1,595)
FT-SE Eurotrack 100	1,041.18 (-2.85)	DM	2,495 (2,475)
FT-Ak Share	1,255.88 (+0.25)	FF	5,307 (5,307)
Nikkei	17,288.97 (-151.05)	Sfr	2,325 (2,19)
New York: DOW	1,587	Y	195.5 (195.0)
Dow Jones Ind. Ave	3,305.38 (+1.5)	E Index	80.3 (80.2)
S&P Composite	434.18 (+0.48)		

US LUNTIME RATES		DOLLAR	
Federal Funds	2.11%	New York: DOW	1,587
3-mo Treas. Bill Yld	3.311%	London	1,586 (1,595)
Long Bond	10.2%	DM	2,495 (2,475)
Yield	7.43%	FF	5,307 (5,307)

LONDON MONEY		NORTH SEA OIL (Argus)	
3-mo Interbank	7.4%	Brut 15-day (Feb)	\$18.825 (18.15)
Little long fut. (Dec 100%)	(7.4%)	Y	123.65 (123.6)
Yield	7.43%	S Index	80.3 (80.2)

NORTH SEA OIL (Argus)		GOLD	
Brut 15-day (Feb)	\$18.825 (18.15)	New York: COMEX (Dec)	\$334.5 (335.9)
Y	123.65 (123.6)	London	\$335.95 (335.0)

New York: COMEX (Dec)		LONDON	
Y	123.65 (123.6)	S Index	80.3 (80.2)
London	\$335.95 (335.0)	Tokyo close Y	123.65

Appointment of Viktor Chernomyrdin throws reforms into doubt Yeltsin names new Russian premier as Gaidar is rejected

By John Lloyd in Moscow

THE FUTURE of Russian reform was thrown into doubt last night after Mr Yegor Gaidar, one of President Boris Yeltsin's closest allies and the architect of radical economic policies, was thrown out of office.

"I don't believe all we did was in vain," Mr Gaidar said after hearing Mr Yeltsin had failed in his bid to have him elected as his prime minister.

Mr Gaidar, who had been acting prime minister, was replaced by Mr Viktor Chernomyrdin, a 54-year-old energy minister.

"Of course I will resign and not return," said Mr Gaidar, 36, immediately after hearing that Mr Yeltsin, the Russian president and formerly his proclaimed devoted supporter, had chosen to put Mr Chernomyrdin in his place after the latter had come second in a poll among Russian deputies.

Mr Gaidar's aides confirmed last night that his ousting was a surprise, running against the string of promises made by Mr Yeltsin to do everything he could to keep him.

Mr Chernomyrdin, in a speech to the Congress, promised to continue reforms "but not through the impoverishment of the people" - a remark which won him applause.

In a later interview with the news agency Itar Tass, he said that he would proceed "to

PAGE 2
■ Reform hopes flicker on as Russia names new premier
■ New man at top sweeps into office with an old broom
PAGE 14
■ Editorial comment

reforms, to a market economy but not to a bazaar".

The new prime minister, with a final confirming vote of 721, succeeded in unifying all but the radical democratic part of the Congress behind his candidature. Mr Yeltsin's radical supporters were furious and bewildered by his action.

Mr Mikhail Schneider, a senior official of the Democratic Russia movement, said that "every step we made in the past few days was based on the assumption that Yeltsin would nominate Gaidar. Now that he has acted otherwise we don't know what to do".

Over the weekend Mr Gaidar had been prepared to step down "to give the president freedom to act in the best interest of the country", one of his advisers said. However, he was also prepared to continue to work as head of an economic reform team, if the alternative choice as prime minister had been to his liking, for example Mr Vladimir Shumilko.

Mr Gaidar has also thought of

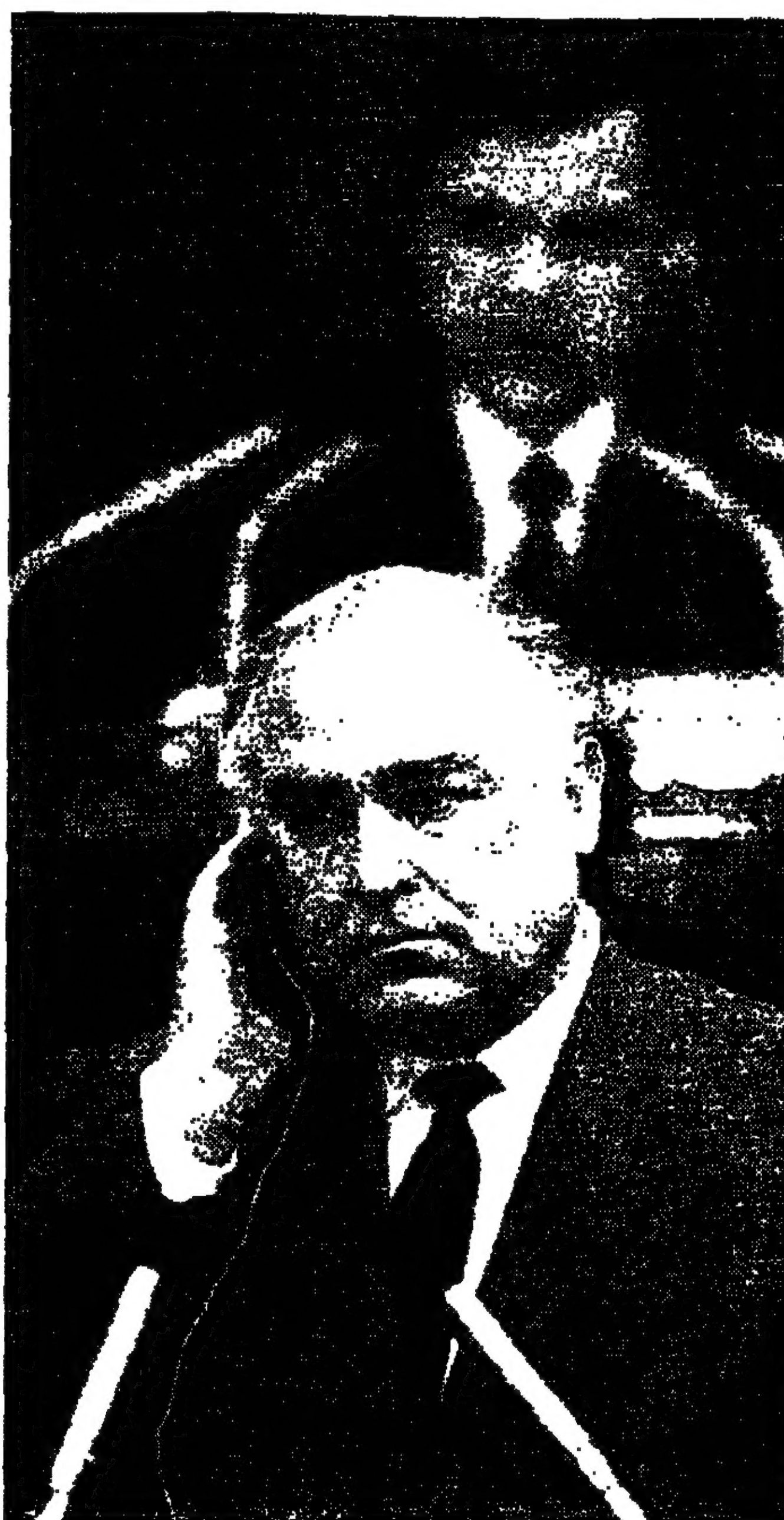
taking another post, including that of head of the president's council of advisers, vacant after the sacking of Mr Gennady Burbulis at the weekend. However, according to his advisers last night, he has decided against it.

Mr Chernomyrdin emerged the favourite in a voting process agreed between Mr Yeltsin and Mr Russian Khasbulatov the parliamentary speaker, on Saturday.

Though Mr Chernomyrdin topped the vote of the deputies, Mr Gaidar did well enough to stay in the first three - and could thus have been nominated by Mr Yeltsin, and made acting prime minister again for three months if not confirmed by the Congress. It was this course of action which all of Mr Yeltsin's supporters, and even many of his opponents, had been expecting.

An aide to Mr Gaidar, trying to explain Mr Yeltsin's behaviour, said: "I think he [Mr Yeltsin] did not believe himself strong enough".

All current ministers have been asked to stay in their jobs, and Mr Gaidar said he would encourage those who could continue with reform to stay on. However, Mr Vyacheslav Kostikov, Mr Yeltsin's press secretary, said it would be "psychologically difficult" for them to continue - a view confirmed by Mr Gaidar's aide who said it was likely many, if not all, of Mr Gaidar's economic reform team would resign.



New prime minister: Viktor Chernomyrdin listens to delegates

Scare tactic by Russia stuns conference

By Robert Maufner in Stockholm

RUSSIA yesterday threw international diplomacy into confusion by announcing a radical return to a cold war foreign policy and then retracting the statement, explaining that it was no more than a scare tactic.

In one of the most bizarre diplomatic incidents of recent years, Mr Andrei Kozyrev, the Russian foreign minister, left ministers from 52 western and eastern European countries dumbfounded when he said Russia was reneging on its post-communist policies of co-operation with the West. For good measure, he also

demanded an end to the arms embargo against Serbia.

His short, but explicit statement exploded like a bombshell on the opening day of the two-day ministerial meeting of the Conference on Security and Co-operation in Europe, an organisation dedicated to conflict prevention and management and the respect of human rights.

As stunned ministers crowded round Mr Kozyrev, long regarded as a moderate in the Russian leadership, to demand clarification, he coolly said they should wait for a second statement which he would make shortly.

Some 45 minutes later he told an amazed audience he did not

mean a word of what he had said. "Neither President Yeltsin, who remains the leader and guarantor of Russian domestic and foreign policy, nor I myself, as minister for foreign affairs, would ever agree with what I read out in my previous statement."

With no apparent sign of remorse, the normally restrained and diplomatic Mr Kozyrev thanked those present for "the opportunity to use this rhetorical device". It was inspired by the most serious concern that everyone should be aware of the genuine threats faced by the Russian leadership "on our course towards a post-Communist Europe".

Mr Kozyrev has remained out-

spokenly anti-conservative - warning that the conduct of a rational foreign policy was being made impossible by a growing nationalist tide in Russia. His device to warn people of a conservative victory does not contradict his beliefs.

"A wake-up call" is how Mrs Galina Sidorova, the Russian spokeswoman, described Mr Kozyrev's first statement.

Only an hour or so previously, however, she and other Russian delegates had been rendered livid and speechless by his intervention - of which none of them had received advance notice.

Mr Klaus Kinkel, the German foreign minister, who left Stockholm last night to join Chancellor Helmut Kohl for an official visit

Continued on Page 16

Little Rock conference sees much talk, fewer policies

By Michael Prowse in Little Rock

AS President-elect Bill Clinton convened his two-day "economic conference" yesterday, it rapidly became clear it was an exercise in communication - live from Little Rock - and not an occasion for policy-making.

Above all, it was a chance for Mr Clinton to demonstrate his mastery of detail and his determination to be a president who remains in touch with the people. Continuing the pattern of this year's election campaign, this was achieved by including a nationwide phone-in on the television broadcast.

Mr Clinton, vice president-elect Al Gore and their economic team listened to Main Street America's ideas about the country's economic problems as well as the opinions of academics.

From the beginning, Mr Clinton seemed in his element, frequently challenging the academic presenters and offering lengthy clarifications for his television audience.

When Professor Alan Blinder

of Princeton University raised the need for greater investment in education and training, Mr Clinton asked why when only 15 per cent of employers reported difficulty in finding skilled workers. It was a typical intervention from Mr Clinton, who appeared frustrated at times that so many of the speakers were echoing - or exaggerating - his own arguments rather than offering new ideas.

This, of course, was his own mistake in insisting that only Democrats - or people known to sympathise with his views - were invited. With this caveat, participants were diverse, ranging from Ms Kathleen Piper, owner of the Pied Piper Flower Shop in Yankton, South Dakota, to industrialists, labour unions and academics.

Hundreds of journalists, representing organisations ranging from the local Arkansas Democrat Gazette to CNN to the Chinese Daily News, milled around Little Rock, in search of two scarce commodities - decent hotel rooms and hard news. Many seemed uncertain of the

purpose of the conference and bemused by the bureaucracy imposed by the Clinton media people, who generally took proceedings at least as seriously as a global economic summit.

Mr Clinton yesterday repeated his view that encouraging signs of economic recovery must not be allowed to divert attention from longer-term structural problems. Repeating calls for greater investment in education, training and infrastructure, he seemed, however, to put greater emphasis than before on reducing the budget deficit.

"We must stop the cycle of borrow-and-spend economics," he said. "Our national debt is an economic ball and chain dragging us down, keeping long-term interest rates high in spite of the actions of the Federal Reserve in bringing down short-term rates." This means "we're going to have to make some tough decisions and some hard choices".

But judging by yesterday's glorified talking shop, the Little Rock conference seems unlikely to be the place these hard choices will be made.

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NEWS: EUROPE

Reform hopes flicker on as Russia names new PM

By John Lloyd in Moscow

"THE difference between a reformer not able to reform and a non-reformer who can do some reforms may not be very great." This evaluation from a foreign expert in Moscow of the change in prime minister from the reforming Mr Yegor Gaidar to the non-reforming Mr Viktor Chernomyrdin was the most positive given yesterday.

Observers and advisers in Moscow gave a variety of reasons yesterday why Mr Gaidar's resignation and Mr Chernomyrdin's election do not constitute a disaster for Russia.

First, Mr Chernomyrdin knows the system, and could force closures and restructuring of inefficient enterprises where Mr Gaidar and his inexperienced team could not. Second, Mr Chernomyrdin's promise to deepen reform while seeking to slow the fall in production and increase social security is merely repeating promises made by Mr Gaidar.

Third, unless he re-establishes the command-administrative system, he faces the same financial and other constraints Mr Gaidar faced; if he ignores these, the financial system will collapse. Many in Moscow believe reform can begin only after such a collapse.

Fourth, Mr Gaidar could not achieve financial stability, and under his premiership, the rouble was heading for hyperinflation. It is better for it to get there under someone else. Fifth, Mr Chernomyrdin is not, at 54, old for a prime minister, but has been unwell recently, and needs constant treatment. He has little or no popular base, and is explicitly not President Yeltsin's choice. He does not seem to be a long-term candidate.

A possible sixth reason is that it is simply not clear why Mr Gaidar went. His advisers were saying this weekend they were prepared for him to be replaced as prime minister, but that he would stay as head of economic reform. Mr Yeltsin was clear that he would support him.

Mr Yeltsin could have nominated Mr Gaidar who came in the top three in a ballot by the Congress. If this nomination was not confirmed by the deputies, Mr Yeltsin could simply have appointed him acting prime minister for a further three months. By this time the referendum on a new constitution would be imminent and, if approved, a new parliament would have been elected.

It is possible Mr Gaidar has gone by arrangement, to keep his powder dry for a later attempt, or to reappear as a presidential adviser, perhaps to fill the spot vacated by Mr Gennady Burbulis, the former secretary of state and chairman of the council of advisers, sacked at the weekend as one of Mr Yeltsin's compromises with the parliament.

The political fallout may be immediately greater than the economic one. The democrats, supporters of Mr Yeltsin, were terribly let down. Father Gleb Yankunin, a leading radical deputy, said yesterday: "After we did everything to provide Yeltsin with a winning position, he let us down." Mr Leonid Volkov, another presidential supporter, said it was "the end of a reforming cabinet - at the choice of the President".

He has now, it seems, put himself in the hands of the "centre", an amorphous group inside Congress and out, which includes real reformers and real opponents of reform.

Those who want change are disoriented and puzzled about Mr Yeltsin's intentions. The departure of all of the key ministers, including figures like Mr Anatoly Chubais and Mr Alexander Shokhin, deputy prime ministers in charge of privatisation and foreign economic relations respectively, could deal a blow to reform and to the fragile trust of foreign businessmen and governments.

Editorial comment, Page 14

Germany blocks duty-free accord

GERMANY last night blocked an agreement to double the amount of duty-free goods purchased inside the European Community to Ecu50 (€72), excluding alcohol and cigarettes, writes Lionel Barber in Brussels.

A deal would have raised EC citizens' travellers allowances on goods purchased outside the Community to Ecu175 from January 1, 1993.

Mr Norman Lamont, UK chancellor of the exchequer, who chaired the meeting yesterday, expressed disappointment at the failure to reach a deal. He described the limits on allowances, which go back to the 1950s, as "wholly unacceptable" in the light of the imminent final completion of the European single market by the end of the year.

Germany's opposition stemmed from its failure to push through a claim to set a road tax for EC vehicles using German highways. The road toll dispute is to be reviewed by EC transport ministers next Monday.

Under a separate deal, finance ministers agreed to simplify the value added tax treatment of second-hand cars in the EC, to come into effect by April 1993.

The changes were necessary to meet the requirements for VAT harmonisation in the single market.

EC to pressure UK on HDTV

Britain will face pressure from its EC partners today to approve funding for a British-backed strategy to market high definition television to the European public, writes Lionel Barber in Brussels.

EC telecommunications ministers will reconsider a European Commission plan to pump Ecu50m (€71m) into the promotion of HDTV over five years.

France and the Netherlands strongly support the spending, mainly because Thomson and Philips, their national electronics giants, have invested millions in developing the D2-Mac and HD-Mac technology.

Britain's opposition to the HDTV strategy caused an uproar at an EC telecoms council last month. Last night, UK officials continued to express reservations: "We don't think the idea is attractive and we don't think it is coherent."

Under revised plans, the Commission wants to channel money to consortia for satellite broadcasting, as well as conversion and production of programmes using HDTV technology.

Money may also go to other widescreen TV services such as Pal Plus.

Inflation in Spain declines

Spain's inflation rate has fallen to 5.1 per cent after the government reported much better-than-expected price rises of just 0.1 per cent in November, writes Peter Bruce in Madrid.

If inflation continues downward the government could begin to cut interest rates as early as next spring. With unemployment rising and growth still falling, the interest rate cut will be important to the timing of the general election. Prime Minister Felipe Gonzalez must hold by next October.

The November price figures show that the devaluation of the peseta in September has had little inflationary impact and the second devaluation, in November, is unlikely to affect December inflation much, economists say.

Kohl to bolster Yeltsin despite debt issues

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl of Germany was flying to Moscow last night, hoping to demonstrate his strong support for Russia's President Boris Yeltsin at a summit overshadowed by festering disagreement over outstanding Russian debts.

The event is likely to prove diplomatically sensitive, with Mr Yeltsin in a battle to assert his authority at home, while Mr Kohl is unable to make the sort of financial pledges he used to give so willingly to Mr Mikhail Gorbachev, the former Soviet leader.

Mr Theo Waigel, the German finance minister, has been forced to join in the top-level talks, because of the failure by the two sides to resolve two key financial questions.

The first concerns outstanding debts owed by Russia to the former East Germany, amounting to some DM17.6bn (€7.16bn).

These debts were accumulated in transferable roubles, the internal currency of the Comecon state-trading organisation. Germany is insisting they must be honoured.

Germany's opposition Social Democrats yesterday threatened to derail government plans to tighten up the country's liberal asylum laws, Reuters reports from Bonn.

Chancellor Helmut Kohl's Christian Democratic-led coalition and the Social Democrats agreed only last week to cut the huge influx of refugees.

German leaders also fear chaos in Russia could send waves of refugees west. Foreign minister Klaus Kinkel has insisted Moscow fulfil its pledge to establish a Volga homeland for ethnic Germans banished further east during the second world war.

"These are debts owing for goods delivered by East German enterprises to Russian enterprises, and they have simply not paid up," a German finance ministry official said yesterday.

"We recognise the enormous difficulties Russia is facing, and we are willing to give whatever help we can in supporting the restructuring process, but we are not prepared simply to write off the debt."

The second issue concerns compensation payments for the facilities left behind by Soviet troops departing from East Germany.

Mr Yeltsin has claimed anything up to DM5bn for these buildings, military air strips and other structures.

But the German government insists they have nothing like that market value.

"We have agreed to pay the market value, but the Russians have some difficulty understanding what that is," an official said.

The German side says that far from having any intrinsic value, most of the facilities will have to be demolished, and widespread environmental pollution cleared up, at a cost running into billions of D-Marks.

In spite of months of negotiations, the two sides still appear far apart on the amount of compensation payable.

The German side is not planning to talk in detail about Russia's request for a comprehensive debt rescheduling, currently under negotiation with the Paris Club of creditor governments.

"That is a matter for the Paris Club, and the only contribution we can make is to improve the atmosphere," the German official said.

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A pat on the back for new Russian PM Chernomyrdin yesterday

New man at top sweeps into office with an old broom

By Leyla Boulton in Moscow

MR Viktor Chernomyrdin, unexpectedly appointed as Russia's prime minister yesterday, is widely recognised as a superb manager of the old Soviet school.

Any enthusiasm reform supporters might have shown for his appointment was soured by the return of Mr Yegor Gaidar, whom he replaces, to stay on as economic strategist and the likely resignation of other young reformist ministers.

"Surrounded by a few decent chaps, he is capable of behaving wisely," said one western diplomat, who hoped that at least Mr Anatoly Chubais, the privatisation minister, would not step down.

"But on his own Chernomyrdin is a terrible menace to reforms," he added.

"He is very impressive but he is definitely of the Old Guard," said a businessman who has dealt with him in the past.

His success as manager of the Soviet gas monopoly, Gasprom, prompted his appointment in June as deputy prime minister responsible for energy policy when president Boris

Yeltsin sacrificed his young minister for oil and gas, Mr Vladimir Lopukhin. But expectations that this avuncular-looking 54-year-old would quickly restore order to the country's most important industry proved unfounded.

Oil output has been continually falling.

This means Russia, long the world's largest energy producer, has dropped behind Saudi Arabia in the league table, producing 7.9m barrels of oil per day. Saudi oil output is currently about 8.4m bpd.

"He's made some progress in restoring centralised control to the industry, but he's neither stopped the theft of oil nor spurred foreign investment," said the businessman. "He's at ease with yielding power but it is impossible to predict how he will react to a multi-faceted brief," he added.

Mr Chernomyrdin, who presents a somewhat unwieldy figure, is said to be unencumbered by ideology from his past as a senior communist party official.

But given the difficulties of trying to turn back the clock, reforms in Russia could well suffer from his lack of vision.

Schwarz-Schilling quits as German telecoms minister

By Quentin Peel in Bonn

MR Christian Schwarz-Schilling, the German minister of posts and telecommunications, resigned yesterday, sharply criticising its failure to act more forcefully in the ethnic conflict in the former Yugoslavia.

He also accused his government colleagues of failing to give him wholehearted support in negotiations on reforms to privatise the German postal and telecommunications services.

Privatisation has been held up by failure to reach agreement with the trade unions and opposition Social Democrats on changes needed to the German constitution to enable the state sale to go ahead.

He attacked the government - and by implication Chancellor Helmut Kohl - for getting bogged down in negotiations within the ruling coalition, and proving itself incapable of action on key political issues.

The resignation will embarrass Chancellor Kohl in his struggle to show his government is coming to grips with the problems of looming economic recession and the soaring costs of German unification.

However, Mr Schwarz-Schilling, a member of the cabinet since Mr Kohl came to power in 1982, was expected to be ousted in a reshuffle at Christmas or in the New Year.

Some observers believed he was simply choosing to resign with dignity, rather than be forced out.

Mr Schwarz-Schilling's negotiating tactics in the privatisation talks with the unions and SPD had weakened since he was expected to go in the reshuffle.

A new minister might be able to push the process ahead more swiftly.

Mr Schwarz-Schilling's resignation coincided with an appeal from the German Chamber of Trade and Industry (DIHT) to break the

deadlock on postal reform.

The resignation follows reports that Mr Schwarz-Schilling lost his temper at last week's cabinet meeting because of the government's apparent inability to take more effective action in Bosnia-Herzegovina to protect the local population from Serbian attacks.

He admitted yesterday saying that he was "ashamed to be a member of a cabinet which simply does nothing". Mr Kohl retorted that no one was compelled to remain a member of the government.

Mr Schwarz-Schilling said at a press conference in Bonn it was a nonsense that German naval ships on patrol in the Adriatic were forbidden from taking part in actions to stop and search suspected arms smugglers.

At the same time, he sharply criticised the UN arms embargo as it affected Bosnia-Herzegovina, saying it simply exacerbated the unequal conflict with the Serbs.

Major to warn Bush over force

By Philip Stephens, Political Editor

MR John Major, the British prime minister, will this weekend warn outgoing US President George Bush that the use of force to enforce the UN "no-fly zone" over Bosnia could put at risk British ground troops and aid workers in the former Yugoslav province.

Senior Downing Street officials yesterday acknowledged the growing international pressure for a new UN resolution authorising military measures against Serbian aircraft violating the ban on flights. But they voiced concern that precipitate action could lead to heavy casualties for UK forces in Bosnia and an end to the humanitarian aid effort.

Washington has expressed growing impatience with the Serbs, with president-elect Bill Clinton backing the tougher stance of the Bush administration. The deteriorating situation in Bosnia will be the focus of two days of talks between Mr Major and Mr Bush at Camp David.

Mr Major, current president of the European Community council, will arrive in Washington on Friday for the EC/US summit.

The officials said a new UN resolution authorising tougher action against Serbia to enforce the zone looked increasingly likely after public statements in favour of such action by France and the US.

But while Britain was unlikely to block such a resolution, Mr Major would tell Mr Bush that early action to shoot down Serbian aircraft would almost certainly provoke retaliation against the 2,000 British ground troops escorting aid convoys.

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Bosnian Serb leader plans move to end ethnic strife

By Laura Silber in Belgrade

IN an attempt to stem growing international demands for military intervention against Serb forces in Bosnia, Mr Radovan Karadzic, the Bosnian Serb leader, yesterday said he will propose a unilateral end to the war to his parliament.

"We will propose to the assembly of the Serbian Republic in a session on December 17 to adopt a declaration on ending of the war," he said in reference to his self-proclaimed state covering some 70 per cent of Bosnian territory.

"But I don't accept that we are proposing to end the war from the position of winners, because we accept political solutions around the table," he declared in Belgrade, the Serbian and federal capital. "In this way, we can end the war before the New Year."

Despite Mr Karadzic's professions of support to halt to the bloodshed, Sarajevo yesterday came under mortar fire and shelling. UN officials in the Bosnian capital said a ceasefire agreement, the nineteenth since the war began in April, would take a few days to come into effect. Mr Mik Magnusson, spokesman of the UN peace-keeping force, said talks were under way for the creation of three safe corridors.

"They are part of a step-by-step approach to demilitarise the city, then lift the siege," he said. At least 17,000 people have been killed and 100,000 have gone missing in the nine-month war.

Bosnian Serb leaders yesterday allowed the evacuation under supervision by the International Red Cross of 1,008 Moslem and Croat prisoners from the Manjaca detention camp, northern Bosnia. Serb leaders say they will close the camp on Friday after 2,000 more detainees have been freed.

Ahead of Sunday's parliamentary and presidential elections in Yugoslavia, Mr Milan Panic vowed to rout Serbian President Slobodan Milosevic, widely seen as responsible for the war in Bosnia-Herzegovina.

Since he became federal prime minister in July, Mr Panic has tried to end the war and lift UN sanctions on Serbia and Montenegro.

Mr Panic, who is Mr Milosevic's strongest challenger, defended himself against the campaign waged against him by state TV, which is in the grip of the Serbian President. The television has accused Mr Panic of betraying Serbia. He lashed out at Mr Milosevic saying: "My efforts to build peace have been bombed. Serbian national interests are with Europe, not isolation."

The Belgrade-born California millionaire is ahead of Mr Milosevic, according to recent opinion polls. But their reliability is questionable because they are conducted by phone and some 40 per cent of Serbs do not have phones.

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French inflation at six-year low

By William Dawkins in Paris

FRANCE's annual inflation rate eased from 2.4 per cent in October to 2.1 per cent last month, the lowest for six years, according to provisional figures by Insee, the state statistics body.

Month on month, prices were stable in November, after rising 0.3 per cent in the previous month.

This brings price rises since the start of the year to 2 per

cent and puts France on track to undershoot Insee's most recent forecast of 2.5 per cent inflation for 1992 overall.

Food prices fell last month and there was a small rise in the prices of oil products, pushed up by the dollar's recovery against the franc, according to the ministry of finance.

Prices of manufactured products were unchanged in November.

The reduction leaves

France's annual inflation 1.6 percentage points below that in western Germany, its main trading partner, continuing the improvement in price competitiveness since French inflation dropped below Germany's in June 1991.

Annualised French inflation last month was also 1.3 per cent below the average level for its nine main trading partners, a small improvement from the 1.2 per cent gap in October.

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Mitterrand blunders on EC job

By David Buchanan in Paris

PRESIDENT François Mitterrand yesterday renominated Mrs Christine Scrivener as France's junior EC commissioner, in a quick move to recover from a blunder at the Edinburgh summit when he announced she would be succeeded by Mr Edmund Alphandery, who then promptly refused the job.

Mr Alphandery, a centrist politician, said he preferred to seek re-election to the French parliament in March, but is also tipped as a possible finance minister in the centre-right government which is expected to emerge from next spring's election.

What Mr Alphandery described as an "unfortunate misunderstanding" resulted from the fact that he was ready to go to Brussels, provided he could combine Mrs Scrivener's EC tax portfolio with the EC monetary job at present in the Danish hands of Mr Henning Christophersen.

He was still vainly trying to negotiate this - through Mr Jacques Delors, France's other commissioner, who heads the EC tax portfolio with the EC monetary job at present in the Danish hands of Mr Henning Christophersen.

The president seems to have been attempting domestic political manoeuvring with the job of Mrs Scrivener, a Giscardian liberal, by offering it to various Christian Democrats, including Mr Alphandery. The ploy did not work, as opposition politicians now have national office in their sights.

There is the extra disincentive that, if the Maastricht treaty enters into force, the next EC Commission's tenure will only be two years.

Mrs Scrivener was yesterday said to have taken the president's reluctant renewal of her mandate philosophically, commenting that it was the end result which mattered. She has showed the same pragmatism in getting, against considerable odds, EC governments to remove fiscal checks at EC internal borders from January.

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Germany blocks duty-free accord

GERMANY has blocked an agreement to create a duty-free zone for goods traded between the Community and Japan.

A draft of the agreement was sent to the Commission by the German government last week.

Mr. Genscher, German Foreign Minister, said the agreement would be "a step towards a free trade area between the Community and Japan."

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Study urges EC-Japan partnership

By Charles Leadbeater
in Tokyo

JAPAN and the European Community risk causing irreparable harm to their relations unless they quickly take an historic opportunity to fashion a political and economic partnership, according to a wide-ranging report from the foreign ministry in Tokyo on Japan's relations with Europe.

The report by a specially appointed group of advisers is Japan's most comprehensive attempt yet to lay out a foreign policy framework for its relations with the EC.

The study, which makes 90 recommendations on measures to improve relations, is partly designed to respond to fears among some EC officials of growing trade friction in spite of last year's joint Hague declaration on political co-operation.

The group which compiled the report for the ministry was chaired by Mr. Teruhiko Mano, adviser to the president of the Bank of Tokyo, and included academics and business executives.

Senior foreign ministry officials said the document would help to provide a framework for Japan's medium-term approach to the EC.

It says the EC and Japan need to develop a closer relationship in part to balance the much stronger relationships each has with the US.

It describes the EC's integration programme as an historic experiment which should create an economically dynamic and politically stable power at the heart of Europe.

It displays considerable confidence in the EC's ability to overcome delays in the ratification of the Maastricht Treaty, which it says should prove to be no more than temporary setbacks.

However, it also warns that relations with the EC have traditionally been marked

by trade frictions, which have been underpinned by misunderstandings on both sides.

It says: "In Europe there remains a deep-rooted tendency to believe that Europe only can set universal standards and that what is universal ought to derive from Europe."

The report adds: "It is undeniable that the perception gap between Japan and the EC is far wider than the geographical distance."

Japan would have to harmonise many of its economic practices with international standards, particularly by reducing working time.

But Japan's growing trade surplus with the EC was largely a reflection of EC producers' relative lack of interest in penetrating the Japanese market.

The report recommends setting up an expert study group to examine the growing trade imbalance, as well as measures to strengthen the Japanese Fair Trade Commission and help promote imports into Japan.

It proposes wide-ranging joint ventures between Japanese and European companies to penetrate Asian markets, as well as public money from the EC to help to guarantee private sector Japanese investment in eastern Europe.

The report says that as Europe proceeds towards monetary union, financial agreements between the Bank of Japan and the German Bundesbank could be expanded to the EC level. Currency stability would also be enhanced by liberalisation of the Japanese financial markets, it says.

The report's main recommendation is for a series of joint study groups on the prospects for free trade, corporate behaviour, science and the environment and financial assistance for developing countries.

Sharp import fall lifts trade surplus

By Charles Leadbeater

JAPAN'S trade surplus last month rose by 18.5 per cent to \$7.6bn largely as a result of a sharp fall in imports, according to figures published yesterday by the Finance Ministry.

Senior officials at the Ministry of International Trade and Industry said they were ready to open discussions with the incoming Clinton administration in the US on a new approach to trade frictions to replace the Structural Impediments Initiative, which was launched in 1989.

Mr. Sozaburo Okumatsu, director general of the ministry's international trade policy bureau said: "We are ready to discuss changing the SII forum for discussing structural trade issues, particularly if a new forum included a wider group of academics and business

people to analyse the situation."

Exports last month were virtually stagnant, rising by just 0.7 per cent to \$27.2bn from a year before. The growth in the surplus was mainly because of a 4.8 per cent fall in imports to \$19.7bn.

In year terms exports fell 5.1 per cent to \$3,955bn, while imports were down 10.5 per cent to \$2,414bn.

The slowdown in the Japanese economy is continuing to take a heavy toll in corporate bankruptcies, according to a report published yesterday by the Teikoku Data Bank, a research agency.

Bankruptcies with debts of more than ¥10m last month were 15.7 per cent up on last year, with bankruptcies in manufacturing up by 47 per cent and retail bankruptcies up by 29.7 per cent.

Harsh challenge for both Israel and PLO

Hugh Carnegie on the armed tactics of an Islamic militant movement

THE WEEKEND kidnapping of an Israeli soldier has underlined not just the strength of Islamic fundamentalists in the occupied territories, but also the challenge they pose both to Israel and to the Palestine Liberation Organisation.

The abduction of Sgt. Major Nissim Toledano of the paramilitary Border Police as he walked to work in the central Israeli city of Lod was accomplished with cool efficiency by the so-called Qassam military wing of the Hamas "Islamic Resistance Movement" on the fifth anniversary of the official founding of Hamas.

In those five years, Hamas has grown in influence in the West Bank and, especially, in the squalid refugee camps and towns of the Gaza Strip. It sees itself as being in the vanguard of the *intifada*, the uprising against Israeli rule which erupted in Gaza in December 1987 as Hamas came into being.

Lately Hamas has, through Qassam, stepped up its use of firearms against Israeli forces - as distinct from the stones and petrol bombs which otherwise characterise *intifada* violence. In the last week alone, Qassam has shot dead four soldiers, compared with 20 troops killed in the previous five years of the uprising.

These killings and the kidnapping of Sgt. Major Toledano



Sheikh Ahmed Yassin: kidnapers of an Israeli sergeant are demanding his release

are deeply troubling developments for the Israeli army. Troops deployed in the West Bank and Gaza are geared chiefly to combat street rioting - albeit frequently with deadly live fire. They are not set up well against armed ambushes. Few of their jeeps and trucks are bullet proofed as are those of the British forces in Northern Ireland.

However, the political chal-

lenge of Hamas - an Arabic acronym for Islamic Resistance Movement which also means courage - is probably more worrying for Israel and, ironically, also for the PLO, traditionally Israel's great enemy.

Hamas strongly opposes the Middle East peace talks in Washington which the PLO supports. It rejects not only the scheme of an interim period of self-rule for the Palestinians

before talks on the final status of the territories; it rejects outright PLO acceptance of Israel's right to exist alongside a secular, independent Palestinian state. Its ideology demands establishment of an Islamic state in all of Palestine.

Israel originally allowed the formation of Islamic groups in Gaza in the hope they would erode the supremacy of the PLO. But the strategy has

backfired as Hamas has waxed far stronger than the authorities imagined.

PLO supporters say Hamas still attracts only minority support. In the few elections allowed in the West Bank and Gaza recently, such as for chambers of commerce and student bodies, the PLO has tended to come out on top. But in Gaza and some areas of the West Bank, support for Hamas is reckoned by many to be around 40 per cent.

The PLO fears Hamas could do uncomfortably well if it chose to participate in general elections proposed in the peace talks - something it has not specifically ruled out. Sheikh Ahmed Yassin, the crippled leader of Hamas whose release from jail is sought by Sgt. Major Toledano's kidnapers, certainly believes so.

The frail, bearded Sheikh Yassin told the Financial Times in one of the last interviews he gave before he was arrested in 1989: "The overwhelming majority of Palestinians are Moslems and they do not reject Islam. Even some members of the PLO are supporters of the Islamic movement. That is why I am confident that if there was complete freedom for voters then the Islamic movement would win everywhere - in Gaza, the West Bank and even among Moslems inside Israel."

Scores of Hindus arrested on march

By Stefan Wagstyl
in New Delhi

INDIAN police yesterday arrested scores of Hindu nationalists as they marched towards the Pakistan High Commission in New Delhi in a demonstration organised by the right-wing Hindu Bharatiya Janata party (BJP), the main opposition party.

The party's supporters last week destroyed a mosque at Ayodhya in northern India and prompted nationwide violence.

Across India, security forces also rounded up hundreds of members of militant religious organisations which have been banned by the government following the events at Ayodhya.

The move was aimed at showing the determination of Mr. P. V. Narasimha Rao, the prime minister, to punish the perpetrators of the attack on the mosque and to try to stop militant groups from fomenting religious intolerance.

The BJP delivered a protest letter to the Pakistan government demanding the destruction of Hindu temples in Pakistan. It has also condemned the ban on activist groups and the arrest of senior party officials including Mr. L. K. Advani, the leader. It has pledged to fight government plans to rebuild the Ayodhya mosque.

More than 1,150 people have died in the riots which followed the mosque's destruction and which subsided at the weekend after tough police and army action.

S Korean economy faces a rejig

Alexander Nicoll and Jack Burton look at politicians' plans

SOUTH KOREA'S well-entrenched bureaucrats might pale at Mr. Chung Ju-yung's vision of the finance ministry as a kind of policy research institute, to which he would grant "a role in formulating the budget and monetary policy". Under his approach, the powerful Economic Planning Board could also expect its days to be numbered.

The founder of the Hyundai industrial conglomerate, who is standing for president in elections on Friday, has won nationwide support through his harsh promises of smaller government, open markets, lower borrowing rates and tripled per capita income in five years.

Yet Mr. Chung is simply expressing the most extreme version of what is recognised by the two more established candidates, Mr. Kim Young-sam and Mr. Kim Dae-jung, as a transformation vital for Korea's economic progress.

It is generally recognised that Korea has to loosen bureaucratic shackles on the economy, open up financial markets, and improve productivity and technology if it is to sustain its growth. Though the economy has expanded by an average of 8 per cent a year in the five years of Mr. Roh Tae-woo's presidency, a fall to a 3.1 per cent annual rate in the third quarter caused widespread alarm. Mr. Roh's economic leadership is dismissed as weak by most politicians.

Mr. Suh Sang-mok, an economic adviser to Mr. Kim Young-sam, the ruling party candidate, says: "Korea has a bicycle economy. If the speed is too slow, you fall off." The top priority, he says, is improv-

ing the international competitiveness of Korean industry, which has sagged as a result of labour unrest and rising wages.

The platforms of all three candidates reflect the belief that five-year plans and direct government control of the economy, with bureaucratic sanction needed for most important corporate decisions, are no longer suitable given Korea's advanced stage of economic development and demog-

raphic freedom. Mr. Park Jae-yoon, another adviser to Mr. Kim Young-sam, says: "We believed implicitly that the economy could grow by itself along the previous development path. But that was wrong. So now we have to change the nature of the economy."

Mr. Yoo Jong-kuen, an adviser to Mr. Kim Dae-jung, the leading opposition candidate, says: "If we want full commitment to democracy, then we have to have a full commitment to the free market system."

The candidates plan reform in several key areas:
□ Financial liberalisation. Tighter controlled interest rates, credit allocation, and curbs on capital flows create distortions - for example, deposit rates are artificially low and borrowing costs artificially high, especially for

smaller companies. All candidates would accelerate the current official timetable, under which significant financial reforms are postponed in 1997. Mr. Chung would free all interest rates immediately, while Mr. Kim Young-sam is likely to be more wary of causing disruption through rapid reform.

□ Chaebol reform. The family-owned industrial conglomerates dominate the economy at the expense of smaller companies and have prospered

through subsidised loans. Mr. Roh's attempts to use credit controls and to encourage them to focus on a few core businesses have produced few results. All candidates aim instead to fragment the *chaebol* by strict application of inheritance tax, encouraging owners to sell some of their holdings on the stock market, and by enforcing anti-trust laws.

Mr. Chung takes the most radical approach, promising to dissolve the *chaebol* - he is setting an example with plans to distribute Hyundai group companies among his six sons.

□ Banking reform. All candidates would cease government appointments of private sector bank chairmen and top executives. Government-mandated low interest loans to sectors officially deemed strategically important, from agriculture to high-technology industry, would be gradually phased out.

□ Slimmer bureaucracy. As part of a drive to make the economy more market-led, Finance Ministry powers would be curbed. All candidates promise to study the role of the Economic Planning Board, which once directed the economy through five-year plans.

□ Industrial competitiveness. Inadequate spending on research and development have hampered Korea's progress towards higher-technology industry which would keep it ahead of other rapidly developing countries. The candidates would, through tax incentives, raise total Korean research and development spending from 3 per cent to 5 per cent of gross domestic product.

□ Financial disclosure. All candidates favour "real-name" accounting, which would prevent concealment of financial assets. This would raise tax revenues, but could cause liquidity problems in financial markets.

Laudable though these plans may be, seasoned economists are sceptical about the candidates' commitment to them and about their timing. Korea's regulated economy gives officials great power.

Mr. Lee Hahn-koo, president of Daewoo Research Institute, says: "Since 1975 the government has said it wants to deregulate and have a private sector-led economy. But actually more and more regulations have accumulated."

However, the challenge for the next president will be to push through economic reform. If he does not, Korea's progress up the league of industrial nations will be at risk.

Flores quake toll hits 1,600

THE DEATH toll from the weekend earthquake which struck the Indonesian island of Flores rose to 1,600 yesterday, and is expected to increase further as rescue teams reach outlying islands, writes William Keeling in Jakarta.

The United Nations Development Program is preparing an emergency package of aid and foreign embassies in Jakarta say they are studying how best to assist disaster victims.

Japan, already Indonesia's largest donor, announced yesterday it was sending \$500,000 worth of medical supplies, tents and blankets to assist relief efforts, and a further \$1m in disaster aid.

The epicentre of the earthquake was 30km north of Flores, sending a tidal wave up to 30 feet high onto the coastal town of Maumere.

"There's a desperate need for shelter. The population is completely shocked and unable to do anything for itself," said one donor official.

At least one-third of Maumere's buildings were destroyed and local government officials warn of an outbreak of disease unless medical supplies arrive quickly. Indonesia is in the midst of its wet season and heavy rain yesterday was reported.

Algiers gunmen kill five police

Five policemen were ambushed and killed by Muslim terrorists in Algeria yesterday in the most serious attack on security forces in almost a year, Reuter reports from Algiers.

The policemen were ambushed in the Kouba fundamentalist stronghold of Algiers.

Five died on the spot and a sixth was seriously wounded, the police said. It was the most severe blow to security forces since six policemen died in a dual ambush in Algiers' Casbah on February 10, one day after a state of emergency was decreed.

Yemen premier 'quit after riots'

An opposition politician in Yemen said yesterday that Mr. Halid Abu Bakr al-Atas had resigned as prime minister after cost-of-living riots in which 13 people were killed, Reuter reports from Sanaa.

"Atas has definitely resigned and nobody can deny this," said Mr. Abdul Rahman al-Jefri, leader of the Sons of Yemen League. Government officials refused to comment.

The opposition reported that President Ali Abdullah Saleh had rejected the resignation and that government officials were trying to persuade Mr. Atas to go back on his decision.

Eight die in Kenya clashes

Eight people were killed in political violence near the west Kenyan town of Eldoret over the weekend, the government said yesterday. Reuter reports from Nairobi.

The clashes were the worst so far in the sometimes violent run-up to Kenya's first multi-party presidential and parliamentary elections on December 29.

A government statement said at least eight people were killed and several houses burned in the unrest at Burnt Forest near Eldoret. Police had moved in to restore order, it added.

Ex-PM faces funds charge

Police in Papua New Guinea charged former Prime Minister Rabbie Namaliu yesterday with misappropriating government funds, Reuter reports from Port Moresby.

The charges relate to money which four of Mr. Namaliu's ministers demanded in 1990 in return for their support in a planned vote of no confidence.

Police said Mr. Namaliu was charged with about 14 counts of misappropriation. He was allowed to leave police custody but was due to make a court appearance today.

Pakistan curbs bank liquidity

The state Bank of Pakistan, the country's central bank, has tightened liquidity requirements for the country's commercial banks after an "unprecedented" monetary expansion during the past five months, writes Farhan Bokhari in Islamabad.

Soldiers add security to Somalia relief

Aid agencies have fewer doubts about US-led intervention, reports Julian O'zanne

WESTERN aid agencies who have fought a battle to deliver food and medicine to Somalia's starving millions have greeted the US-led military intervention with relief and optimism.

In Mogadishu gunmen and their battle wagons have virtually disappeared from the streets and the relief gateways of the port and airport are secure and operating at full capacity for the first time in two years.

Even the most sceptical aid agencies, such as Britain's Save the Children Fund which opposed the US operation at the beginning, have cautiously welcomed the multinational force building up in Mogadishu with a United Nations mandate to protect the delivery of relief supplies.

Concern is growing about the slow movement of the military into the starvation-ridden interior, and reservations about the long-term commitment of the US-led task force remain among many experienced aid officials. But in the six days since US Marines first landed in Mogadishu, aid workers have begun to feel that they can now do their job without fearing for their lives or being held hostage to extortion, intimidation and the threat of looting.

Fears among some agencies

that expatriate aid workers feared that each food shipment would be made targets by resentful Somalis suddenly put out of a lucrative protection racket have so far proved unfounded.

"We have seen some security benefits," said Mr. Don Redding, Save the Children spokesman. "But we are not yet sat-

isfied there's sufficient thinking about long-term development and the involvement of Somalis in reconstruction"

fied there's sufficient thinking about long-term development and the involvement of Somalis in reconstruction."

Others such as the international relief and development agency CARE and the UN World Food Programme, which were strong although belated advocates of military intervention, are more optimistic.

"We have always had the capacity and food pipeline to feed Somalia within weeks," said Mr. Paul Mitchell of WFP. "Now the security situation is ten times better already and we are getting the operation moving swiftly. Food is already moving through the port and city with the help of the marines."

Turmoil, violence and looting had overtaken Somalia by

early last year. Many Somalis feared that each food shipment would be the last and in the scramble for scarce resources armed robbery, diversion of food convoys and shoot-outs over food became the norm.

Merchants and warlords, cashed in on the relief business, hiring out bandits turned

interior, outside a handful of towns, was impossible and at least 300,000 people have starved to death this year.

Lengthy negotiations with the warlords, first by humanitarian relief organisations and then by UN representatives, got bogged down in the greed of opposing groups determined

to benefit more than their rivals. It took four months for the UN to get 500 poorly armed Pakistanis into Somalia and deployed into the airport.

Patience finally broke after two incidents. First Bardera, a town north-west of Mogadishu, after a tussle between Somalis, two main battling warlords was retaken by Gen. Mohammed Hersi Morgan from Gen. Mohammed Farrar.

Aided. Aid workers were evacuated. The death rate rocketed from under 100 a day to 307 a day at its highest.

Bardera proved that relief efforts were futile without vastly improved and long-term security.

Weeks later, on November 24, a WFP-chartered ship with 10,000 tonnes of wheat was



Somali children drink from a drum at a feeding centre at Baidoa yesterday after several hours wait for the fresh water ration

THE AMERICAS

Trial shines light into dark Mexican corners

Drug case puts political system in dock, writes Damian Fraser

MEXICO is accustomed to being portrayed by the US as corrupt and violent, but rarely can the charges have been as serious as those levelled last week during the trial of Dr Humberto Alvarez Machain. The Mexican doctor is accused by US federal prosecutors of aiding the 1985 murder and torture of a Drug Enforcement Agency (DEA) official, Mr Enrique Camarena.

According to two witnesses called by the US government, Mexico's then interior minister, governor of Jalisco and defence minister were all in the pay of the Guadalajara drug cartel. The witnesses also claimed that the ministers and governor were present at meetings in which Mr Camarena's murder was planned and visited the house where Mr Camarena was held on the day he was killed.

In the view of the Mexican government - already furious at the kidnapping by the DEA of Dr Alvarez Machain from Mexico, which enabled the trial to go ahead - the charges are "based on the testimony of delinquents and criminals who do not merit credibility in light of their personal history".

Such an opinion has gained some sympathy in Mexico. The witnesses are convicted criminals, who have been offered immunity (and money) by the US government to testify and may convince the Los Angeles judge presiding over the trial. He was expected to decide yesterday afternoon whether to dismiss the case against Dr Alvarez Machain for lack of evidence.

But to critics of Mexico's political system, the charges are an indictment of the state that has enabled the implicated officials to rise to

such important positions. The two government ministers accused in the trial are not only quintessential products of Mexico's ruling Institutional Revolutionary Party, but also close colleagues of former President Miguel de la Madrid and current President Carlos Salinas de Gortari.

Mr Manuel Bartlett, the interior minister at the time of the Camarena murder, has worked in the Finance, Budget, and Foreign ministries, was education minister until earlier this year. He has just been elected governor of Puebla state. At one point he was favoured to succeed Mr de la Madrid as president. Mr Enrique Alvarez de Castillo has been governor of Jalisco, attorney-general, and is now the director of the state bank, Banobras, while Gen Juan Arevalo Dardoqui, the former

defence minister, is a career army man.

For the Mexican government, allegations against such senior officials could not have come at a worse time. It is now trying to build ties with Mr Bill Clinton's incoming administration and convince the US public that Mexico is a worthy member of the proposed North American free trade area. The description of the torture of Mr Camarena by Mexican police, drug traffickers and possibly senior government officials, in retribution for his success as a DEA agent, will have done little to help that cause.

The accusations, whether true or not, are also likely to draw attention to the greatest flaw in the Mexican state: corruption in the legal and political system - hardly touched

by President Salinas's economic reforms.

In practically all the big drug scandals over the past decade, be it the murder of Mr Camarena, the prison riot between rival drug gangs at Matamoros last year, or the shoot-out between the army and police in Veracruz this year, police, army or government officials have been implicated in narcotics trafficking.

The police are also largely responsible for Mexico's dismal human rights record, another issue likely to be raised by the US Congress when considering the free trade agreement. As Mr Jorge Carpizo, president of the government's human rights commission, put it: "Police officers who engage in torture are neither sadists nor

deranged... They know that in most cases, even when they exceed themselves to the point of homicide, they will not be punished because their chiefs will defend or cover up for them."

Mexico's politicians in turn are protected not just by a malleable police force and legal system, but by television and most newspapers, which try not to embarrass senior government officials. The owner and publisher of the Mexico City News, Mexico's English-language daily, blocked unflattering articles on Mr Bartlett in the run-up to the Puebla election earlier this year.

In a similar vein, the investigative weekly, Proceso, claims state officials working for Mr Bartlett tried to buy up all Puebla copies of the December 6 edition, which featured charges against Mr Bartlett on the front cover, in a futile attempt to prevent the magazine falling into the hands of the public.

Allstate may stay in New Jersey

By Nikki Tait in New York

ALLSTATE Insurance Company, one of the biggest US car insurers and part of the Sears, Roebuck retail and financial services group, is thought to have struck a deal with the authorities in New Jersey, and will suspend its withdrawal from the state.

The largest provider of car insurance in New Jersey, Allstate stunned the insurance industry in September 1991 when it announced that it was seeking regulatory approval to stop writing virtually all types of coverage in the state. The company blamed years of losses from its car insurance operation, and its move was seen as a direct challenge to New Jersey's governor, Jim Florio. Governor Florio has been strongly sympathetic to consumer demands for lower insurance premiums and reform of New Jersey's insurance laws.

Allstate's move threatened to have particularly large repercussions in terms of insurance cover.

Over the weekend, however, the Chicago-based insurer is thought to have reached a settlement with the Florio administration, under which Allstate will be permitted to raise rates and the withdrawal will be suspended.

There was no immediate comment from Allstate, but a statement was expected later in the day.

Correction Sheikh Khalid

In Saturday's FT, it was reported that a law suit issued against Sheikh Khalid bin Mahfouz, former head of the National Commercial Bank of Saudi Arabia and the bank, sought to freeze the assets of Sheikh Khalid and the bank. The suit, issued by liquidators of the Bank of Credit and Commerce International, seeks to freeze the assets of Sheikh Khalid and not the bank itself.

Uruguay's voters block sell-off plans

URUGUAYANS blocked President Luis Alberto Lacalle's most ambitious privatisation projects by an overwhelming majority in a referendum on Sunday, according to yesterday's official results, writes Our Correspondent in Montevideo.

The official count showed that 71.2 per cent of the 2m electorate had voted against five articles of Uruguay's public sector companies law. The law was passed in March but the president was forced by opposition pressure to call the referendum.

The vote will prevent the government selling off 51 per cent of the Antel Telephone Company to foreign and local investors. Mr Lacalle's Blanco party administration had hoped to raise \$500m by entrusting the profitable but overmanned Antel to a foreign operator.

It had even picked seven telecommunications companies for a tender to find a partner for Antel.

The president, a conservative who before the referendum had refused to consider other formulas for Antel's privatisation, seemed underwhelmed. In a televised message he said he would seek agreements with the opposition, insisting that



President Lacalle had hoped to raise \$500m by entrusting the Antel telecommunications group to a foreign operator. He seemed underwhelmed yesterday by the result of the referendum

he intended to push ahead with reforms in the two years left of his five-year tenure.

Opposition politicians, however, saw the referendum vote as a victory, with voters crossing party lines over an issue

that has pitted free market supporters against nationalists of all hues.

Former President Julio Maria Sanguinetti, a leader of the Colorado party, said the referendum proved that his

own party and the left-wing Frente Amplio coalition were now the dominant forces.

Senator Alberto Zumaran, a rebel of Mr Lacalle's party who sided with the president's critics, called for a reform of Urugu-

guay's winner-take-all electoral laws. "Party lines were torn apart. There were factions on each side of the issue, especially among traditional parties. The referendum was the straw that broke the camel's back," he said.

The PIT-CNT labour leaders who spearheaded the campaign against Mr Lacalle's plan said the vote was a clear rejection of the government's unpopular economic policies.

However, the financial daily, El Observador said that people had simply postponed the painful need to overhaul the state by rejecting Mr Lacalle's timid privatisation plan.

Mr Lacalle has floated the public sector's deficit and eased inflation down to 60 per cent from over 100 per cent. But his policy of keeping public sector pay increases below inflation, coupled with plans to reduce the state presence in the economy, has caused numerous strikes and widespread discontent. One in 10 Uruguayan adults work for the state.

Mr Lacalle also ran into trouble last month when he granted the armed and security forces substantial awards after policemen staged a four-day strike and military officers demanded higher wages.

Supreme Court to review US insurance ruling

By George Graham in Washington

THE US Supreme Court has agreed to review a court ruling that could close one of the loopholes through which banks can gain access to the insurance market.

The Court said yesterday that it would take up a case brought by the Independent Insurance Agents Association against the National Bank of Oregon, contesting banks' right under a 1916 law to sell insurance policies in towns of fewer than 5,000 people.

This limited loophole was widened in 1986 when the Comptroller of the Currency, who supervises nationally chartered banks, decided that a bank could expand its insurance sales from its small town base to other markets.

A federal appeals court in February not only dismissed this decision, but ruled the entire section justifying it was repealed in 1916 as a result of a congressional drafting error.

Lawyers for the Bush admin-

istration have backed the bank's appeal against the appeals court ruling.

The Oregon bank has been selling policies to its customers nationwide from the small town of Banks, and about 100 banks have also taken advantage of the loophole.

The administration's efforts to allow banks much broader rights to sell insurance and other financial services failed in Congress last year. However, the Supreme Court last year refused to review another ruling - in this case, in favour of the banks - on a Delaware state law permitting banks to sell insurance policies through locally chartered subsidiaries.

Banks have been excluded from activities such as stockbroking, securities underwriting and insurance by legislation from the 1920s and 1930s. After the 1991 attempt at broader legislative reform failed, they have placed most of their hopes for expanded powers to sell a full range of financial services on piecemeal decisions by regulators.

WORLD TRADE

Third world urged to open textile markets

By Nancy Dunne in Washington

TEXTILE coalitions from the US and Europe yesterday united in Washington to demand changes in the Uruguay Round negotiating text to force developing countries to open their textiles and clothing markets to the industrialised countries.

Mr M. L. Cates, president of

the American Textile Manufacturers' Institute, cautioned against a "rush to a quick and crippling conclusion in the Round", so as to give the Clinton administration a chance to address issues neglected in the negotiations.

These include closed markets, export subsidies, child labour, piracy of designs and environmental concerns. The textiles producers are

newcomers to environment and labour rights issues, according to Mr Martin Lewin, a lawyer for the US Association of Importers, Textiles and Apparel.

"They fought tooth and nail against every labour and environmental reform... but now you have a president [Clinton] who is more sympathetic to labour and environmental issues, so they are now talking

the rhetoric of labour and environment," said Mr Lewin.

Mr Cates and Mr Wolfgang Samwald, president of Comitextil, a coalition of European producer groups, presented what they called "a Magna Carta" for the industry and urged that it be adopted in the Round. It provides for market openings "on a reciprocal basis among free market economy countries"; vigorous mea-

sures against piracy of intellectual property; commitments on labour rights like child labour laws; and enforcement of environmental standards.

Mr Samwald said last year textile exports from India and Pakistan totalled \$4bn while the home markets were closed to imports. China last year exported textiles worth \$9bn and imported \$61m worth.

Penalties on cartels tightened by Tokyo

By Robert Thomson

THE Japanese government has toughened the criminal penalties for the formation of cartels, following pressure from the US and recommendations from the Fair Trade Commission, the country's anti-monopoly body.

Meanwhile, a separate advisory panel to the Ministry of International Trade and Industry (MITI) yesterday recommended that the government increase protection for intellectual property rights by toughening fines and redefining the types of products eligible for protection.

Japanese anti-monopoly legislation had made no distinction between a cartel violation by an individual and a company, and had kept fines for the two at the same level. But an amendment to the legislation provides for a distinction to be made and for far tougher penalties to be imposed on companies.

Under the new legislation, Japanese companies violating the criminal provisions of the law will be subject to a maximum fine of ¥100m (€36,000), up from ¥5m, while individuals remain subject to a maximum fine of ¥5m and a jail sentence of up to three years.

The changes follow demands made by the US government at the bilateral Structural Impediments Initiative (SII) talks, designed to remove "structural" obstacles in the path of foreign companies attempting to increase market share in Japan. The US had identified cartels as one of the most important obstacles.

Rice farmers in Japan stage a ritual protest

Imports may prove unavoidable, writes Robert Thomson in Tokyo

JAPANESE rice farmers plan to take to the streets of Tokyo today, in an orderly formation of 50 tractors, to make a carefully choreographed protest against the government's hints that the closed rice market must inevitably be opened to imports.

This follows a promise of "flexibility" by Mr Kiichi Miyazawa, the prime minister, who has heralded, albeit through understatement, a new phase of debate on the most awkward issue confronting Japan in the Uruguay Round of multilateral trade negotiations.

His apparent acceptance that a rice market opening is necessary provides a focus for the protesting farmers, many quietly resigned to the idea but still pressing loudly for generous compensation.

"We have to say we are opposed to imports, but there doesn't seem to be any way of stopping them," lamented an official from a branch in Kumamoto of the Central Union of Agricultural Co-operatives, which organised the tractor protest and has invited a French farmers' representative to witness how it is done the Japanese way.

A 26-year-old farmer in the same region of southern Japan complained that the quality of local rice is "clearly higher" than the foreign product, but he and other producers may lose out "because modern Japanese cannot tell the difference between good rice and bad

rice". There is still high emotion in some paddy fields, but part of that anger is directed against the country's manufacturers, whose "excessive" exports are seen as a cause of international demands for a rice market opening.

Protests will continue during the final stages of a debate which appeared to be settled two years ago, when the ruling Liberal Democratic party and farmers' representatives informally agreed that rice imports would inevitably be part of a Uruguay Round settlement.

The script for the political theatre in Japan provides for the EC and US to settle their disagreement over agricultural trade, placing Japan at the centre of the negotiations and allowing the government to say it has defended farmers' interests in the face of international pressure.

This may not happen until early next year, but Mr Miyazawa and his new cabinet are coming to terms with the responsibility of taking a decision on rice. Mr Koko Sato, chairman of the LDP's executive council, also suggested yesterday that the government must be "flexible" on rice tariffication, the replacement of the existing ban with tariffs, supposed to be reduced gradually over coming years. He indicated that the agriculture ministry has already begun research on extra support for Japanese farmers.

As Mr Sato suggests, there



Japanese farmers claim the quality of their rice is higher than foreign products but still fear they may lose out.

are two unsettled issues, the rate of tariffs and the compensation for farmers. Japanese officials have suggested that a tariff rate of 700 per cent may be high enough to keep out most of the foreign competition, particularly rice from Thailand, Vietnam, Australia and the US. But agriculture ministry officials insist that a special case must be made for rice and that the rate of tariff reduction must be minimal. They say that if rice is written into an international tariff schedule, the ministry and the farmers will lose control over the rate of decrease and the accompanying increase in imports.

The ministry calculates that

the foreign share can be restricted to between 5 and 7 per cent of the 10m-tonne Japanese market, prompting a similar reduction in the country's 2.5m hectares of rice fields. On that basis, the next figure to be negotiated is the rate of compensation.

Japan already has a rice crop reduction scheme, and farmers are receiving incentives to convert paddy fields to melon or tobacco fields. Farmers are also likely to receive extra funds to advertise the home-grown product and their agricultural co-operatives are certain to get extra handouts for everything from new vehicles to seminars on pest eradication.

US and greens pose quandary for Gatt

Plans for a new trade body are hotly disputed, writes Frances Williams

A TIDY-MINDED afterthought to the Uruguay Round of trade liberalisation talks has become yet another obstacle to completion of the six-year-old negotiations.

US objections to proposals for a powerful new trade institution to implement the Round's results are set against the backdrop of an aggressive campaign against the provisionally named Multilateral Trade Organisation by environmental groups, especially in the US where a final Uruguay Round package, due next February, faces a rough ride through Congress.

US officials last week infuriated trading partners in Geneva by suggesting that the MTO could be ditched, leaving the present General Agreement on Tariffs and Trade to administer the 28 or so Uruguay Round accords spanning virtually all world trade in goods, services and ideas (intellectual property such as patents, copyrights and trademarks).

After 45 years Gatt is still only a provisional contractual arrangement, after refusal by the US Congress in 1948 to ratify the International Trade Organisation, its legal parent. The MTO, first mooted by Canada and the European Community in 1980, would give the agreements the status of international law and concrete form to the idea of the Round as a "single undertaking" - to which all 106 participants must subscribe in its entirety.

It would subsume Gatt itself, proposed sister bodies on services and intellectual property, and the now voluntary Gatt codes on anti-dumping, technical barriers to trade and so on.

It would operate a common dispute settlement mechanism with the possibility of "cross-retaliation" between sectors.

US officials deny they are deliberately throwing a spanner in the works and say trading partners were alerted months ago that Washington had problems with the MTO draft text. "We're not closing the door on an MTO," says a senior official. "But we have to negotiate changes." Washington's main worries relate not to the MTO's status as an international treaty, as some have suggested, but to draft rules that override existing Gatt obligations or alter deals negotiated in the Round.

These concern voting procedures on amendments to international trade rules - which, unlike existing Gatt rules, would oblige dissenting countries to accept changes approved by a two-thirds majority - and the rights of countries to waive agreed rules or withhold their benefits from trading partners ("non-application"). Thus the draft agreement on intellectual property does not permit countries to opt out of its provisions. The draft MTO text does.

US officials say if other countries are unwilling to renegotiate the MTO rules it would still be possible to implement the Uruguay Round as a "single undertaking", including an

integrated dispute settlement mechanism, by means of a ministerial declaration and accompanying protocol.

Environmentalists, for their part, argue that a powerful MTO, its policies formulated by trade bureaucrats behind closed doors, will trample on government efforts to protect the environment and promote sustainable development, by giving priority to unconstrained free trade. They fear, among other things, that it will force a "levelling down" of environmental, consumer and safety standards.

US negotiators say they are seeking "clarifications" to draft rules on food safety regulations and technical standards that would endorse the right of governments to set standards above international norms. Some European governments support this. However, this alone is unlikely to placate the environment lobby which wants a wholesale "greening" of the MTO text.

Another MTO problem concerns membership. Nearly 40 small developing countries which have not taken a full part in the Geneva negotiations could find themselves excluded because they have not made offers to liberalise trade in goods and services.

Worse, Brussels is pondering whether the EC should become a member of the MTO. At present, it speaks in Gatt on behalf of members, which are individual contracting parties. However, the EC does not run a common regime on trade in services as it does for goods, so it is open to dispute whether it can speak on behalf of member states in services.

Polish steel deal finalised

By Christopher Sebnicki in Warsaw

THE Italian quality steel maker, Lucchini, has said it will be "cautious" about expanding sales into European Community countries from its new joint venture with the Ruda Warszawa steel mill in Warsaw.

Mr Luigi Lucchini, head of

the company, who was in Warsaw yesterday to cap two years of negotiations, said the new company Huta I. W. had the Polish domestic market to concentrate on, while exports were needed to service the project's foreign-currency debts.

Under the joint venture, the first foreign investment in Poland's steel industry, Lucchini has obtained 51 per cent of the mill's equity and is committed to a \$200m modernisation plan over 18 months. The joint venture is capitalised at \$253.4m (€43.2m).

"The balance of the shares is held by the mill's Polish creditor banks led by Wietekopolski Bank Kredytowy, which is soon to be privatised and now holds 21.8 per cent through a debt for equity swap. Lucchini's modernisation plan foresees annual output of 600,000 tonnes of quality steel.

Allstate may stay in New Jersey

By NAAI Tatt in New York

Allstate Insurance Company, the largest insurer in the United States, is considering whether to stay in New Jersey or move to New York. The company's New Jersey operations are profitable, but the state's high taxes and regulatory burden are a concern. Allstate's New York operations are also profitable, but the state's high taxes and regulatory burden are a concern. The company's New Jersey operations are profitable, but the state's high taxes and regulatory burden are a concern. The company's New York operations are also profitable, but the state's high taxes and regulatory burden are a concern.

Sheikh Khalid

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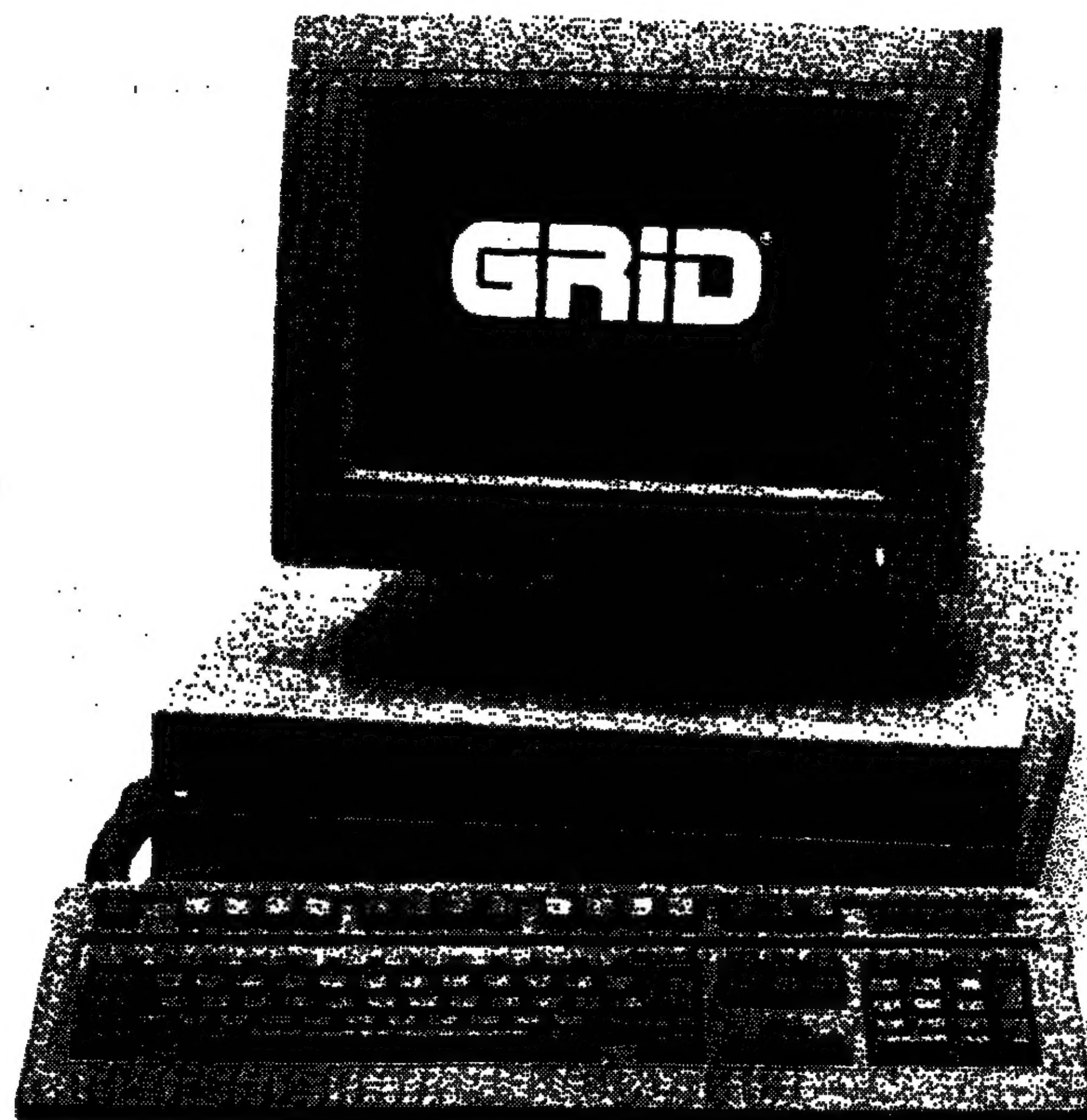
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FT 15/12



NEWS: UK

Major predicts 15-nation EC by 1995

By Philip Stephens,
Political Editor

MR JOHN Major, the prime minister, predicted yesterday that the Edinburgh summit would lead to a decisive shift in the direction of the European Community with its enlargement to at least 15 members by the beginning of 1995.

As the successful outcome of the summit won a warm reception from most Conservative MPs at Westminster, Mr Major said he expected Sweden, Finland, Austria, and possibly Norway, to join the EC within three years.

Seizing the opportunity to undercut Tory critics of the

Maastricht treaty, he said that the agreement at Edinburgh to pledge eventual membership to Hungary, Poland and the Czech and Slovak Republics would allow also the boundaries of the Community to be moved much further across eastern Europe.

Tory Euro-sceptic MPs pledged to continue their fight against British ratification of Maastricht, but the view at Westminster was that the summit had weakened significantly their chances of wrecking the legislation.

In confident mood after what even some opposition MPs conceded had been a considerable negotiating success, Mr Major emphasised repeatedly that the

Community would now move in the direction of enlargement and de-centralisation long favoured by Britain. By setting out procedures to enforce the concept of subsidiarity EC leaders had agreed "national decisions should be the rule and Brussels action the exception".

Resolution of Denmark's demands for exemptions from the treaty and settlement of the EC budget for the rest of the decade meant the Community had "come together again as 12 member states with a common purpose".

An ebullient Mr Major went on to pledge that the Maastricht bill would be considered by the Commons shortly after

the Christmas recess. But the failure of the summit to agree measures to reverse the rising tide of unemployment across Europe drew sharp criticism from Mr John Smith, leader of the Labour opposition.

Attacking the UK president's "deplorable neglect" of the social dimension of the Community, Mr Smith said that the economic package agreed in Edinburgh had failed to meet the prospect of further large increases in unemployment.

With unemployment in Britain rising twice as fast as in any other EC country, a return to economic growth and the stimulation of employment should have been a crucial

objective of the summit, he argued. "Given the appalling prospect of sharply rising unemployment, why was there no proposal for an emergency economic programme right across the whole community?"

Mr Smith also taunted the prime minister that another summit outcome appeared to be that the social chapter of Maastricht was "alive and well and fully supported by all other member states".

But he welcomed both the settlement of the Danish question and the enlargement plan, which he said would provide the EC with "a new and healthy dynamic."

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1993 will be a 'year of progress' says Lamont

By Emma Tucker
and Ralph Atkins

MR NORMAN Lamont, chancellor of the exchequer, yesterday expressed optimism that 1993 would be a "year of progress" for the economy. But he faced a call for a more balanced economic policy over the medium term and further supply side measures to increase Britain's growth potential.

Mr Lamont said that the "scene was set for recovery and growth". Writing in *The House Magazine* in the Commons, he said the right environment was in place for a restoration of confidence.

He admitted that so far recovery had failed to take root, but wrote: "In Britain we face a growing threat to activity from the slowdown in the world economy. At the same time, the risks from inflation are diminishing. That is why the balance of macroeconomic policy overall has been tilted to give more weight to growth."

In its latest journal, the Society of Business Economists criticises economic management in the 1980s for relying on single policy measures rather than on a balanced and consistent economic package. Although the decade saw some



Norman Lamont: "scene set for recovery and growth"

supply side improvements in the economy, other problems were ignored including the weakening of the manufacturing base and the tendency to use too many resources for consumption rather than investment, it says.

Mr Richard Freeman, chief economist at ICL, writes in the journal's editorial: "The UK needs a strategic vision which is capable of changing attitudes throughout society about the economy's performance and particularly attitudes to manufacturing industry."

Ms Kate Barker, chief European economist, Ford of Europe, writes policy goals in the 1990s should be shifted from zero inflation to favour an improved supply side and lower unemployment.

Rail bribery case collapses

By John Mason,
Law Courts Correspondent

BRIBERY charges against Mr Harry Greenway, the Tory MP, were dropped yesterday by the Crown Prosecution Service following the collapse last week of the trial of three other men charged with corruption over attempts to win rail maintenance contracts from British Rail.

Mr Greenway had been due to stand trial next October. The charges against him alleged he had corruptly accepted gifts including air-tickets from Plasser Railway Machinery GB, a long-time supplier of track maintenance equipment to BR. The Austrian-owned company was based in Mr Greenway's London constituency.

These from Plasser GB gifts included flights to Switzerland, West Germany and Austria, it was alleged.

In return, Mr Greenway had used his position as an MP to try and influence the appointment of a BR chairman and in trying to obtain British nationality for a Plasser director, it was claimed. Mr Greenway always denied the charges.

The decision to drop the charges against Mr Greenway follows the acquittals of Plasser GB, Mr Norbert Jurasek, its managing director, Mr Michael Brooks, its company secretary and Mr David Currie, a former head of British Rail's civil engi-

neering division. The trial judge had ruled their was insufficient evidence for their cases to go to a jury.

Following the collapse of the first trial, the Director of Public Prosecutions, Mrs Barbara Mills, had decided there was no longer a realistic prospect of Mr Greenway being convicted, the CPS said.

Mr Greenway is thought to have been the first member of parliament to face trial charged with corruption. The collapse of the case marks the failure of the largest case brought for many years by the British Transport Police (BTP), a body that remains part of British Rail, but which acts independently.

A long investigation by the BTP, before the case was handed over to the Fraud Investigation Group within the CPS, resulted in the arrests in September 1988 of Mr Jurasek, Mr Brooks and Mr Currie. Mr Greenway was arrested in September 1990.

In the first trial, the prosecution claimed that Plasser's hospitality, including air-tickets, trips to continental nightclubs, complimentary tickets to watch the rugby at Twickenham, gifts of champagne and wine was on such a scale it amounted to a corrupt attempt over a 10 year period to win business from BR.

The judge, however, ruled there was no evidence of the alleged bribes having worked. The transactions complained of totalled only £11,000 over ten years. Prosecution allegations that Mr Currie had received so much hospitality that he had led the life of a rich man had not been supported by evidence, he said.



Despite Post Office profits, the Parcelforce service lost £21m

Post Office announces record £135m profits

By Roland Rudd

THE Post Office yesterday reported record pre-tax profits of £135m for the half year to September 27, more than double the £62m achieved last year.

The increase was achieved on the back of £70m of cost savings, mostly from the Royal Mail, the letters division. Turnover increased to £2.56bn (£2.41bn).

Ministers are close to announcing their recommendation on the review of the Post Office's structure, which may lead to privatisation.

The Royal Mail's increase in pre-tax profits, from £62m to £131m, is expected to bolster the arguments in favour of floating the division with special incentives for employee participation.

Sir Bryan Nicholson, chairman, while not wishing to comment on the government's

review, said: "Whatever ministers decide we would want to see the highest level of employee involvement."

It is understood the Post Office has already submitted a report to the government recommending the Royal Mail should be floated with special incentives, such as share bonuses, to encourage employees to take part in privatisation.

The company's Parcelforce division recorded a loss of £21m (£27m). Sir Byran said the division, which is for sale, hoped to break even by the end of its financial year in March because it was now in its seasonally strongest trading period.

Pre-tax profits from Post Office Counters, which sell stationary and pays out pensions, declined from £24m to £12m. It was the third successive fall in pre-tax profits.

Ford union leaders fear Europe-wide job losses

By John Griffiths

FORD, the car and truck manufacturer, has called meetings with leaders of its employees in the UK and on the Continent tomorrow which may presage a cut of up to 10 per cent in its 97,400-strong European work force.

A spokesman for Ford of Britain, confirming last night that the meetings would take place, said that Ford would set out its view of the company's future prospects after reviewing the voluntary redundancy programme which has already led to 3,587 jobs disappearing from Ford's British plants this year.

The final phase of this programme was achieved last week, with a restructuring of Ford's spark plug manufacturing activities and redeployment of employees from its Bridgend engine plant.

Ford, however, which has fallen heavily into loss in the second half of this year and which made record losses in 1991, is understood to be preparing a series of further restructuring measures across Europe. Mr Jimmy Airlie, negotiator with Ford for the Amalgamated Engineering and Electrical Union, said the union "feared the worst" but our position remains that we will not accept compulsory redundancies.

A planned ballot by trade unions at Ford's plants for industrial action against any compulsory redundancies will probably be postponed until next month while the outcome of tomorrow's meetings is assessed.

Ford, which has slipped to fifth place in the west European new car market, has been forced to cut production at all its European vehicle assembly plants this month in the face of continuing weak sales and excess stocks.

While deeply-depressed new car sales in the UK appear to have begun a slow recovery - they were up more than six per cent last month compared with a year ago - other large Continental markets are weakening.



1991 Highlights

The AGM of Banca Popolare di Milano was held on 25 April 1992. The meeting, chaired by Piero Schlesinger, approved the financial statements for 1991 which closed with a net income of US \$ 162.5 million. A dividend of US \$ 0.43 per share was declared, with a total payout of US \$ 84.5 million compared to US \$ 83.9 million previously.

The principal parameters of the banking business are summarised below:

Customer deposits	US \$ 16,251 million	+ 10.4%
Total deposits	US \$ 28,095 million	+ 7.5%
Loans to customers	US \$ 15,370 million	+ 13.9%
Total loans	US \$ 23,255 million	+ 10.5%

RATE AT DECEMBER 31 1991

The rise in lending was directly reflected in profitability: the interest margin rose 4% to US \$ 979 million while income from services climbed 18.2% to US \$ 395 million.

Overall, the intermediation margin was 7.7% ahead at US \$ 1,374 million, although net income eased 6.5% following prudent additional provisions for loan losses. Fourteen new branches were opened during 1991, expanding the network to 222 in 12 regions throughout Italy.

Capital stock increased by US \$ 128 million during 1991 following a cash issue and premises were revalued, in accordance with Law 413/91, by US \$ 289 million net of taxation.

Following the allocation of the net income for 1991, capital and reserves therefore strengthened to US \$ 2,044 million.

In addition, further capital totalling US \$ 51.9 million has been injected following the conversion of BPM warrants during 1992.



Banca Popolare di Milano

INVESTING IN BRISTOL

University of Bristol 1991-92 results reported to Court

'ACADEMIC EXCELLENCE THROUGH EFFECTIVE USE OF RESOURCES'

- Student numbers are up 10%, overseas student income is buoyant, and research funding and services rendered have increased to £29.4m.
- The University's financial out-turn is in line with forecast. After transfers to specific reserves, £1.2m has been allocated to the General Reserve.
- The Campaign for Resource—launched in autumn 1991—has already raised about £6 million in additional funding.
- Campaign-funded developments include:
 - A new chair in Environmental Sciences
 - Research endowment for Medicine
 - New accommodation for Surgery
- Other funded developments include:
 - Appointments to 19 chairs
 - Building of a new Pre-Clinical Veterinary School
 - Purchase and refurbishment of a major hotel to boost student housing and centralise catering
 - Extension of the Law Faculty
 - First stage of a new animal hospital
- Capital projects worth over £30 million have been funded or committed in the last three years.

Sir John Kingman, FRS
Vice-Chancellor

University of Bristol 1991-92 Results

	1992 £000	1991 £000
Income	123,066	109,546
Expenditure	118,342	108,831
Surplus before transfers	4,724	715
Transfers to Reserves and extraordinary items	(3,516)	(509)
Surplus after transfers	1,208	206

The Annual Report of the University is available to all Bristol graduates and other interested persons. The Financial Statements and the University magazine *Nonesuch* are also available. Write to:

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Ford union leaders fear Europe-wide job losses

By John Grimes

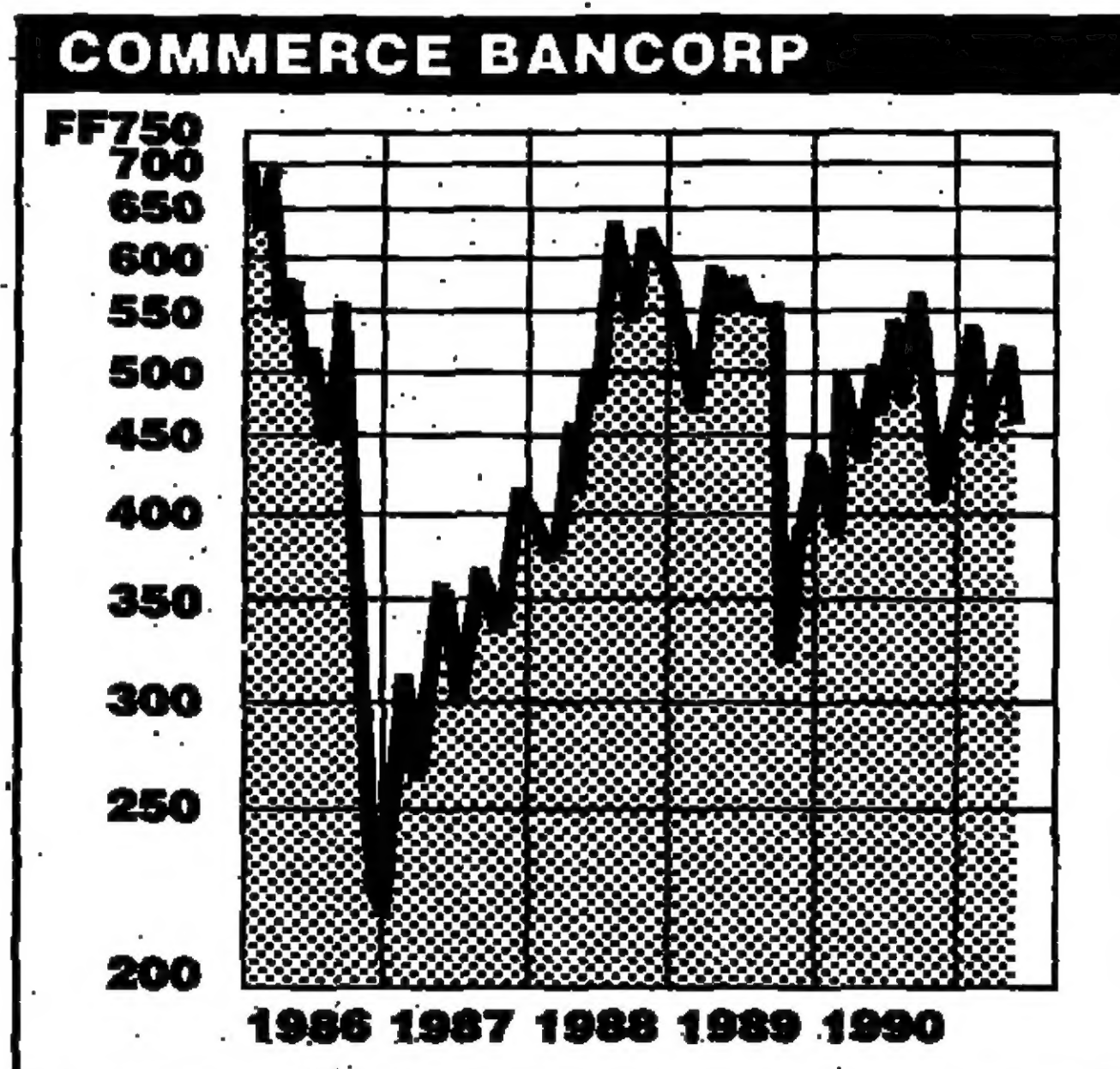
FORD, the car and manufacturing giant, with leaders of employees in the US and the Continent, may produce a cut in jobs of up to 10% in its European operations.

A spokesman for the British Automobile Manufacturers Association said that the industry would not be able to avoid a restructuring of its plants and workforce in the future.

The spokesman said that the industry would not be able to avoid a restructuring of its plants and workforce in the future.

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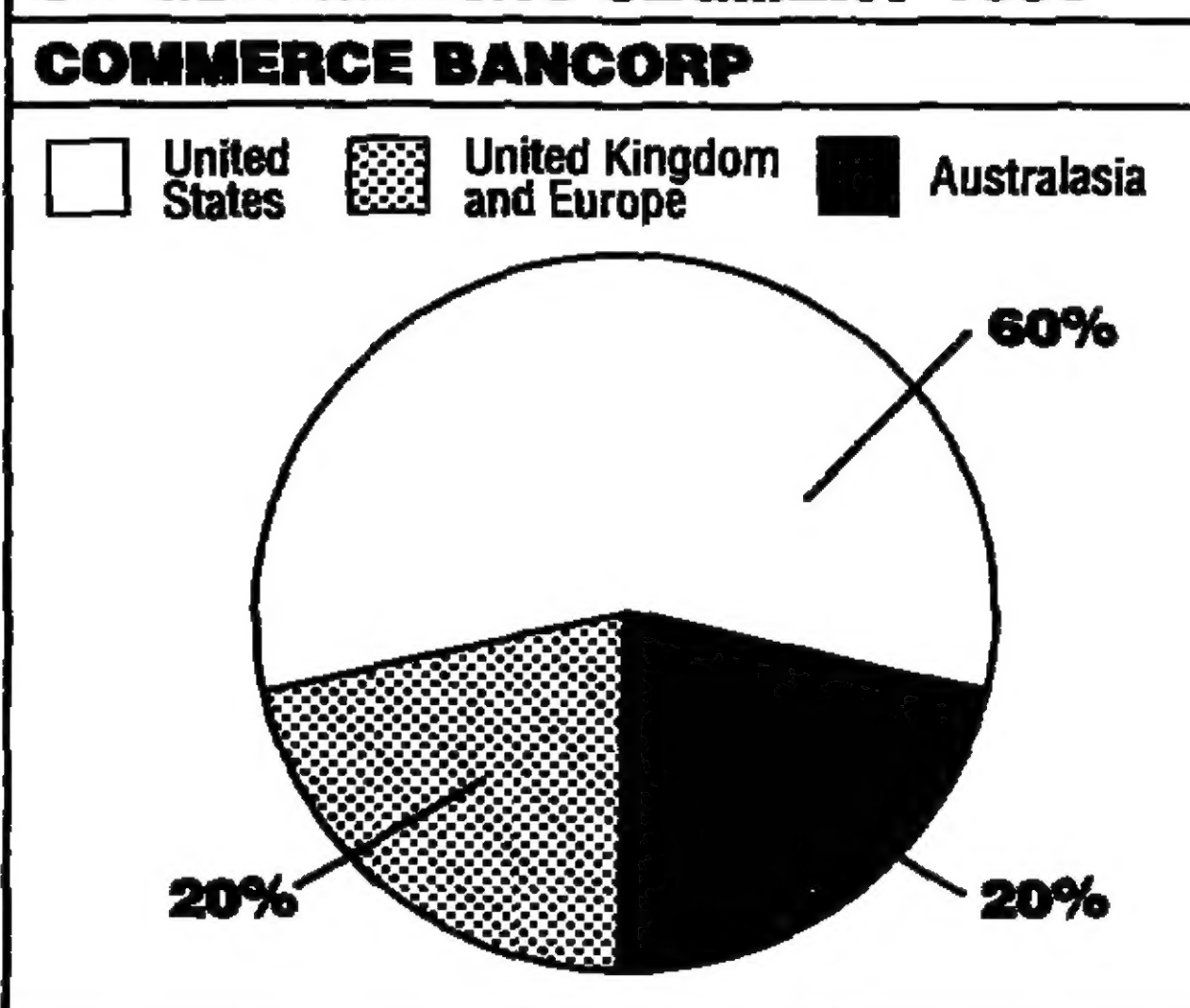
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	Assets rank	% ch.	Capital assets ratio				Pre-tax profit \$m	% ch.	
			% latest	% prev.	rank latest	rank prev.			
172,973	28	0.4	4.19	3.99	719	656	714	0.1	
223,814	17	10.5	3.16	3.01	888	821	1,086	52.4	
162,661	30	2.1	4.32	4.05	693	639	1,115	317.7	
215,355	20	0.2	3.16	3.42	887	762	-221	-127.3	
114,004	47	4.5	5.78	5.14	461	466	1,873	33.9	

REVENUE AND OPERATING INCOME BY GEOGRAPHIC SEGMENT 1990



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Emission limits British Coal faces increased charges for electricity may force fuel prices higher

By Bronwen Maddox,
Environment Correspondent

HIGHER fuel prices may be needed if the UK is to meet international targets for reducing carbon dioxide emissions, a government discussion paper said yesterday.

According to Mr Michael Howard, environment secretary, some of the measures the UK will have to take to meet international commitments "will not be easy".

However he denied that the present debate about the future of coal could jeopardise the UK's ability to meet international targets, even though the use of coal in power stations to generate electricity emits twice as much carbon dioxide as the use of gas. "If the review decides that more energy is to be produced by coal, more savings will have to be found elsewhere" he said.

One of the main targets of the paper is transport, the sector where emissions are growing fastest. A ten per cent rise in fuel prices above the rate of inflation could prevent emis-

sion of one million tonnes of carbon a year (MtC), or about 0.6 per cent of the total UK emissions, the paper says. Equipping new cars with speed limiters and reflecting fuel efficiency in the price of new cars could save another 2 per cent. On government projections, UK emissions in the year 2000 are likely to be at least 6 per cent, or about 10 MtC, above target levels.

More than 150 countries have signed the United Nations framework convention on climate change, agreed at the Rio Earth Summit in June. Under the convention they must make plans to stabilise emissions of carbon dioxide at 1990 levels by the year 2000. Mr Howard said the UK intends to ratify the convention by the end of 1993, obliging it to bring emissions back to 160 million tonnes of carbon.

A carbon or energy tax is among the options in the paper, although its impact on power stations' choice of fuel would be limited if the coal review directs the generators to take more coal.

By Michael Smith

BRITISH COAL is facing significant increases in its own electricity charges at a time when the bulk of the coal it sells to generators is due to fall sharply in price.

Disclosure of proposed price rises by National Power and PowerGen, the two main electricity generators for England and Wales, will increase controversy surrounding electricity pricing and negotiations for coal-fired power supplies.

British Coal believes early talks with the generators for its electricity supplies indicate that it may face rises of twice the rate of inflation from April.

In common with other industrial concerns using more than 1 megawatt of electricity per year, British Coal negotiates directly with suppliers, rather than paying charges fixed by

electricity companies in talks with the industry regulator. Many other large users are facing similar significant rises.

In an initial offer to British Coal, PowerGen has outlined a deal for the Nottinghamshire area which British Coal officials estimate will add 7.5 per cent to electricity prices from April. National Power is thought to be considering higher offers for other British Coal regions, although in

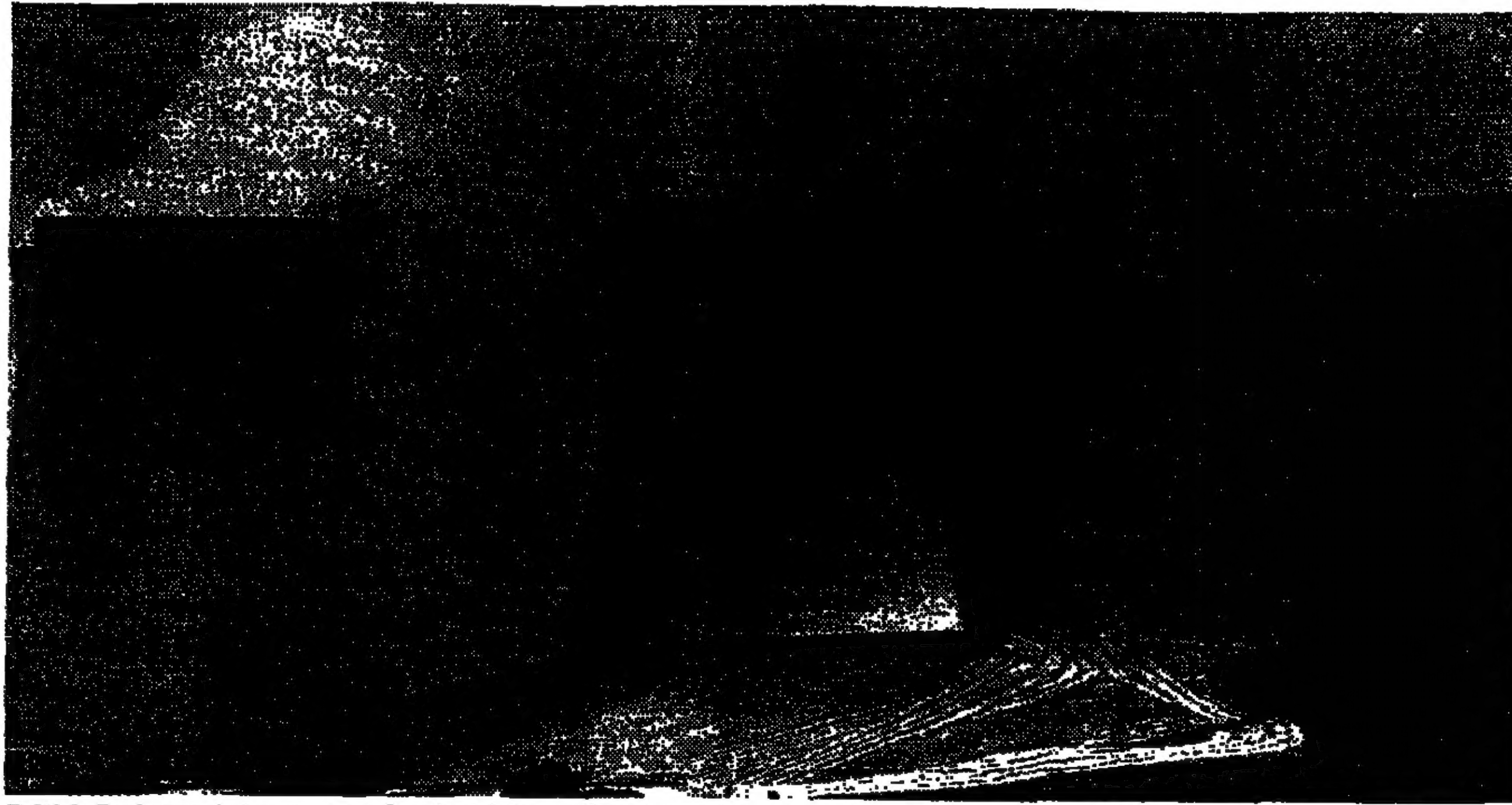
many cases its current prices to British Coal are lower than those of PowerGen.

The negotiations come in the wake of a report last week by Mr Stephen Littlechild, the electricity regulator, which questioned whether National Power and PowerGen are passing on to the consumer the effect of next April's expected coal price cuts.

National Power and PowerGen repeated yesterday that the cuts were

being fully passed through. They pointed out that the British Coal for which prices are being reduced was used in the "franchise" electricity market. Large customers like British Coal were not affected.

They already pay much less per unit of electricity than domestic and small industrial customers. This is because coal for sale in the non-franchise market is bought at world prices which are lower than British Coal's.



British Coal expects to pay more for electricity produced from its own coal at power stations such as Drax, in northern England

Power distributor agrees coal deal

By David Lascelles,
Resources Editor

EASTERN Electricity, one of Britain's leading power distributors, gave coal a boost yesterday by becoming the first regional distributor to sign up a new deal for coal-based power.

Eastern, the largest of the regional distributors in England and Wales, signed a five-year agreement with PowerGen, one of the two main generators, to take 21 terawatt hours of electricity. The deal has a value of over £100m a year, and is equivalent to 8m tonnes of coal.

The contract takes effect from next March 31 when all British Coal's current coal contracts are due to expire.

Dr James Smith, Eastern's chairman, said the deal was flexible enough to cope with changes in energy policy or regulatory regime. "We also believe that it does not prejudice the outcome of the current energy review," he said, "but in fact helps break the deadlock in electricity contracts and is a positive move towards securing the future of coal."

He preferred the certainty of a five year deal to the one-year deals which both Mr Michael Heseltine, trade and industry secretary, and Prof Stephen Littlechild, the electricity regulator, have indicated might be

more appropriate until the government's energy review is complete. The deal would meet about 17 per cent of Eastern's needs over the period, and he hoped to sign a similar deal with National Power, the other large generator, by Christmas.

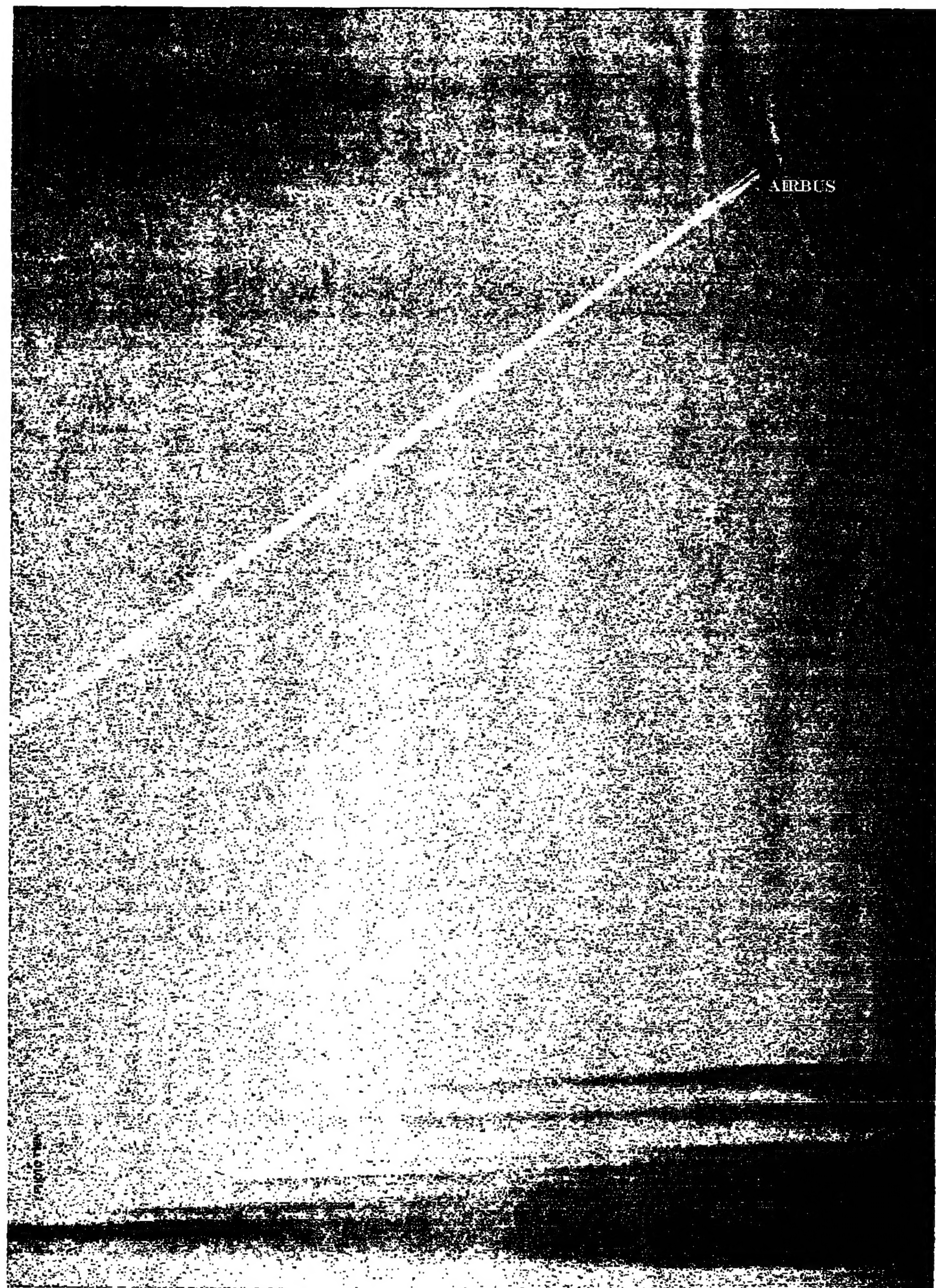
Mr Ed Wallis, chief executive of PowerGen, said he expected to complete deals with other distributors, though he doubted they would be done by Christmas. All the benefits of lower coal prices were being passed on in the contract with Eastern, he said.

Neither company was prepared to discuss the deal in detail. However it is based on the price of 3.26p per unit which has been on offer since the coal negotiations were initiated several months ago. It also excludes Eastern from paying "uplift" - the variable charge added to bulk electricity to finance the cost of running the electricity system.

Mr Neil Clarke, the chairman of British Coal, said the deal would bring much-needed stability to the coal market. He hoped other companies would sign five year deals to give British Coal the breathing space it needed to make its operations more efficient.

Other regional companies gave a mixed response. One said it would sign nothing until the review was completed.

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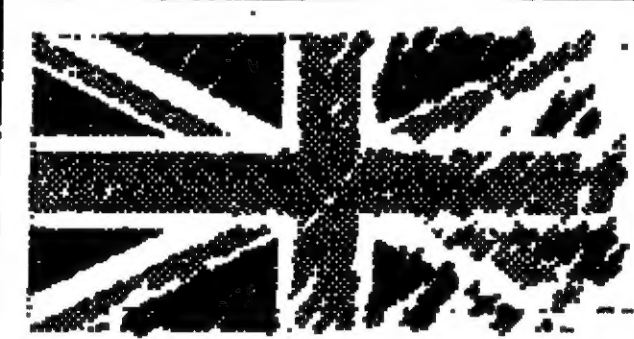
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AIRBUS

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Britain in brief



Number of MEP seats to increase

The government is to bring forward a bill urgently in the new year to increase the number of British Euro-constituencies in time for the 1994 elections to the European parliament.

The legislation will come at a particularly sensitive time, since it will have to be discussed while the Maastricht bill is still before the House of Commons. It will also raise the question of who will carry out the review, since the parliamentary boundary commissions are busy working on the review of the boundaries for general election constituencies.

As part of the deal agreed at Edinburgh, whereby Germany is to get an extra 18 MEPs to take account of unification, the UK, along with France and Italy, will have six new seats to add to the existing 31 Euro-constituencies.

World Service cuts condemned

Mr John Tusa, the outgoing managing director of the BBC World Service, has attacked the government for planning to cut the organisation's budget by £5m a year from 1994.

The proposed cuts come as the World Service, which has a regular audience of 120m worldwide, celebrates its 60th anniversary.

Last week Prince Charles argued that the BBC World Service should continue to expand services for audiences overseas.

Mr Tusa, who retires at the end of this year, said his argument was not with the Foreign and Commonwealth Office, which funds the World Service through grants. The potential problem was with Treasury public spending cuts.

New transport policy urged

The Confederation of British Industry has attacked the government for failing to draw up a co-ordinated strategy for tackling London's transport problems.

It said responsibility for transport in the capital was at present divided between 60 separate organisations and a single government-backed body was needed to co-ordinate their efforts.

WDA attacked over payments

The Welsh Development Agency (WDA), the principal job creation body, has been savagely attacked before a House of Commons committee over redundancy payments amounting to £2.57m to former employees.

It also emerged during questioning before the public accounts committee that the government's Welsh Office was unaware of changes in the scheme for redundancy payments introduced by the agency.

Gloom deepens in engineering

Trading conditions for West Midlands engineering companies, whose experience acts as a barometer for the UK manufacturing sector, continued to deteriorate in the three months to November with a growing proportion of companies reporting a decline in domestic and export orders.

The quarterly business survey of the Engineering Employers' Federation West Midlands, covering 475 companies, showed the percentage of companies reporting lower domestic orders rose to 51 in November from 36 in August.

Buy-out plan at tool group

The managing director of Dean Smith & Grace, the Yorkshire machine tool company which is due to be closed by its US owner in June, is trying to organise a management buy-out.

Ohio-based Monarch Machine Tool said last week it planned to relinquish ownership of the Keighley-based company, founded in 1885 and one of the great names of the UK machine tool industry. Mr Richard Hole, managing director for the past 17 years, is talking to financial institutions in Leeds about a possible buy-out.

Scots group to produce disks

A Scottish company, Callima Technology, is soon to start manufacturing computer disk drives no bigger than a credit card which will be installed in the new generation of palmtop and sub-notebook sized portable computers.

Airport upturn

The number of domestic passengers using the seven UK airports owned by BAA, the airports operator, was 5.3m in November, a 3.9 per cent increase on November 1991.

Patent improvement

Robert Rice explains how changes to EC regulations will affect the Community's pharmaceutical industry

It looks like being a happy new year for Europe's pharmaceutical industry: on January 2, after years of wrangling and intensive lobbying, the European Community will adopt a regulation granting up to five years' extra patent protection for drugs.

The extension of the effective period of marketing exclusivity for drugs through a system of supplementary protection certificates (SPCs) is designed to give pharmaceutical companies a fair return on the growing cost of researching and developing new drugs, and to prevent research work moving from the EC to the US or Japan where drugs already enjoy extended patent protection.

As with all legislation born of political compromise, however, the European SPC system is far from straightforward. The procedure for obtaining a certificate is complex. The extent to which different EC states can alter the effect of the regulation by the way they implement it threatens a bureaucratic and administrative nightmare. Generic producers and companies making patented drugs under licence face a period of uncertainty.

For a long time, there has been widespread concern that necessary safety testing for new drugs imposes a heavy penalty on pharmaceutical inventions compared with other sectors of technology.

Patents in Europe generally last a maximum of 20 years from the application date. But, according to Ms Patricia Harris, an intellectual property lawyer with City solicitors Lovell White Durrant, the development period for new drugs - from discovery to marketing authorisation - lasts an average of 12 years. In complex areas of research into diseases currently regarded as

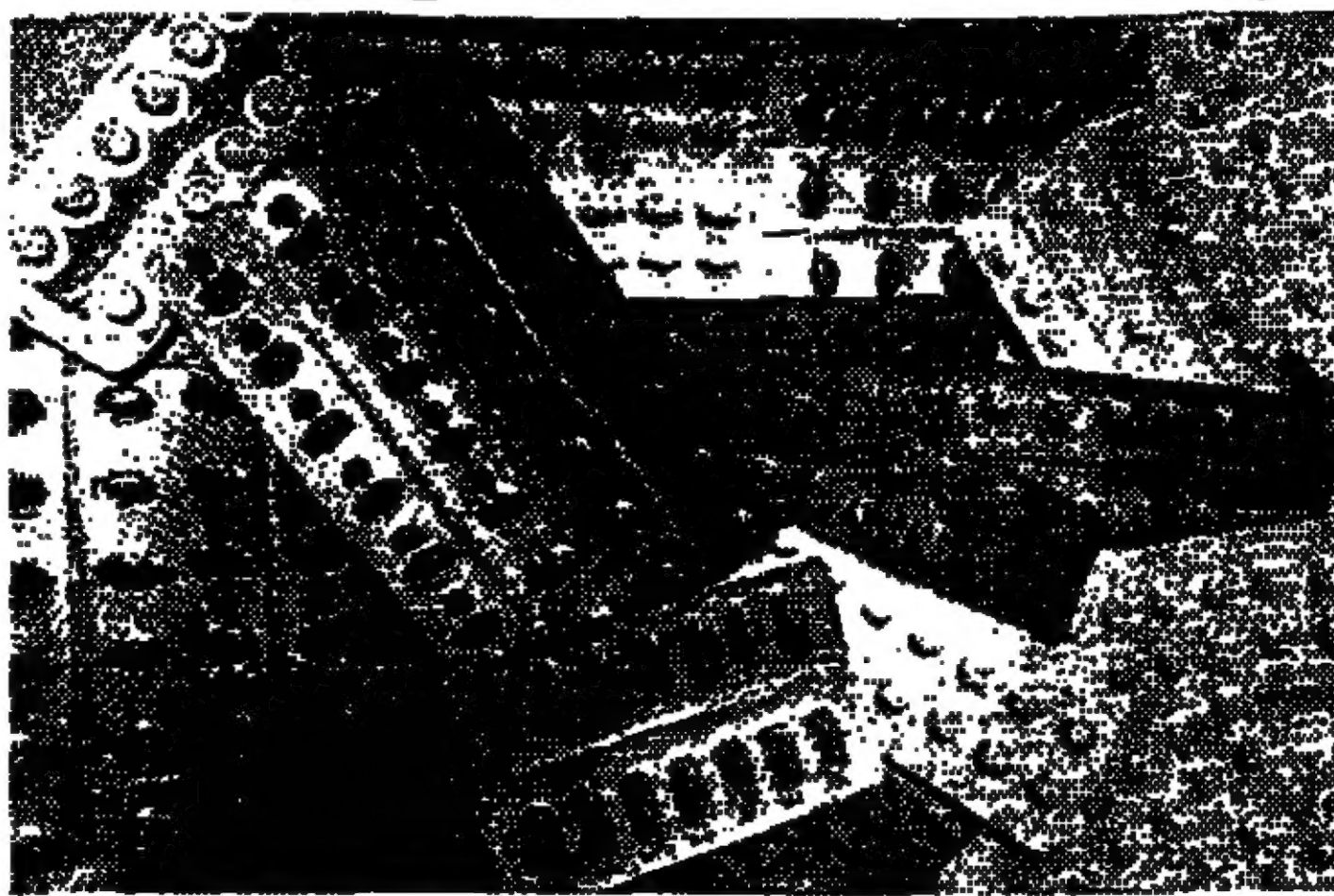
incurable such as Alzheimer's, motor neurone disease and multiple sclerosis, the development time may be even longer.

This means that by the time they have obtained approval to market the drug, companies have little of the patent term left in which to use their monopoly rights to recoup the increasingly heavy costs of research and development, she says.

Although there has been little evidence of research migrating to the US or Japan, where patent protection is longer, or of it being abandoned, European governments accepted that it would be foolhardy to wait for signs of decline in the EC pharmaceutical industry before taking action.

Consumer organisations, however, warned that extended patent protection could push up the overall drugs bill for public health services across Europe by restricting the market for generic products.

But governments recognised that, far from pushing up the overall drugs bill, extended protection could be used to drive pharmaceutical prices down, says Mr Martin Paltini, a pharmaceuticals marketing consultant. This is because, once a reasonable period of marketing exclusivity is guaranteed, the rationale for allowing drug companies to charge high prices to recoup development costs over an uncertain and short period of patent cover no longer exists.



The cure: extended patent protection will help drugs companies to recoup R&D costs

Working out the duration of an SPC will not be easy. It will be available for the length of a drug's development period minus five years and for a maximum of five years. The development period is defined as the time between filing the patent in the EC country in which the SPC is sought and the date that it is first authorised for use in the EC as a whole.

Ms Harris says this means that if the development period is five years or less no supplementary protection will be available. If the development period is between five and 10 years

an SPC of up to five years will be available, and for development periods of between 10 and 20 years a full five-year SPC will apply.

The procedures are also complex.

A separate application will have to be made in the patent office of each member state in which supplementary protection is required. Applications will have to be filed within six months of the drug being authorised for use in the relevant country. For drugs already patented and authorised in the relevant member state on January 2 1993, transitional provisions will apply and any appli-

cations for an SPC must be filed by July 2 1993.

Under the transitional provisions for SPCs, a product must generally have been first authorised for use in the EC after January 1 1985. However, Belgium, Italy, Germany and Denmark have adopted different dates, while the transitional provisions will not apply at all in Greece, Portugal and Spain, where the regulation will not come into force until 1998. To complicate matters further, the Spanish government has started proceedings in the European Court to have the regulation set aside.

The changes mean an administrative headache for the national patent agencies. Mr Paltini believes, as they struggle to find out when and where in the EC a drug was first authorised for use in order to calculate the length of an SPC. Without a pooling of international data, accurate verification of first authorisation may prove impossible in many cases, he warns.

Ms Harris warns of an uncertain period for companies producing patented drugs under licence. Licences are usually expressed to last "for the duration of the patent". But an SPC does not extend the patent, it simply grants additional protection. Licensees who want a continued exclusive licence to produce and market a drug under an SPC will have to renegotiate their licence agreements.

The SPCs will go some way towards meeting the industry's requirements for an adequate period of patent protection in Europe, says Ms Harris. It will also be watched with interest by other industries, such as agrochemicals, which also experience problems in recouping R&D costs because of the length of time it takes to obtain marketing authorisations.

LEGAL BRIEFS

Proposal for chair of legal education

Are UK lawyers receiving the education and training they need to meet the rapidly changing demands of practising law in the 1990s?

In spite of new vocational courses from the Bar and the Law Society and a general shift in attitudes towards the teaching of law in recent years, a significant body of opinion within the profession believes UK legal education is headed in the wrong direction.

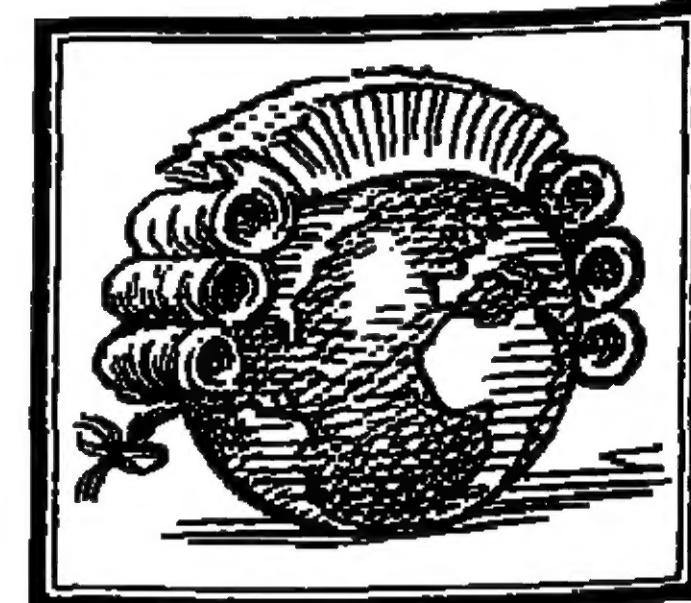
The problem facing the profession as it struggles to come to terms with the internationalisation of legal practice and rising public expectations about the quality of professional services, is how to determine the right direction. Evidence of dissatisfaction from end-users exists. Industry, for example, frequently complains of a lack of "commercial awareness" among young lawyers. But no analysis is carried out to see what can be done to improve matters.

Lord Woolf, the Law Lord, speaking in his capacity as chairman of the board of the University of London's Institute of Advanced Legal Studies, and Professor Terence Daintith, director of the IALS, believe the time has come to set up a chair of legal education in the UK to provide an assured capacity for research into the structure and content of legal education. The chair would be based at the IALS but funded externally.

Prof Daintith estimates the cost of running the post for an initial five-year period at £118,000 a year. The bulk of the money will have to come from the practising profession, but both he and Lord Woolf are adamant that it will represent an excellent investment for the legal profession. It is not so much a question of can we afford it, but "can we afford not to do it", Lord Woolf says.

Chance in China

City solicitors Lovell White Durrant are justifiably proud of having been chosen as one of only five overseas law firms to be awarded a licence to practise in Beijing by the Chinese government. But, given the current state of relations between the UK and China over the future of Hong Kong, it could be said that, apart



from the prestige, there is little practical benefit for a British law firm in such a singular honour.

Not so, says Mr Christopher Smith, head of Lovell's China practice. Even without a privatisation programme, China is attracting more foreign investment than the combined privatisation programmes of central and eastern Europe.

Czechoslovakia attracted less than \$1bn in its first round of privatisations; Russia hopes to attract up to \$5bn over two years. In the first six months of 1992, China attracted commitments of \$10bn, more than 80 per cent of it from China's 50m expatriates in south-east Asia who are believed to have \$2,000bn in liquid assets ready to invest. None of the countries of central and eastern Europe have this kind of expatriate resource. Even the Japanese, with 100m people, are thought to have only \$3,000bn in liquid assets.

Eventually large sectors of Chinese industry will be controlled by expatriate Chinese, says Mr Smith, forcing the government to open up investment possibilities in the state sector in order to moderate its while keeping a measure of control, and encourage investment from other nationalities. All of which means lots of work for lawyers - particularly those already there.

English hearing

Litigation between British Aerospace and Dees Howard of the US should be heard in an English court and not in America, the High Court has ruled.

Dees Howard is suing BAE for \$50m in a Texas court for alleged failure to provide materials under a technical assistance agreement for the re-engineing of BAC 1-11 aircraft. BAE is counterclaiming \$9m in unpaid invoices and damages for breach of contract. Mr Justice Waller ruled that the agreement between the companies contained an exclusive jurisdiction clause under English law. The judgment is considered by some lawyers as an important clarification of English law on exclusive and non-exclusive jurisdiction.

Sex discrimination case opens

Last week the European Court held the oral hearing in the second Marshall sex discrimination case. The Court ruled that Miss Marshall was entitled to rely on the provisions of an EC directive in her action for wrongful dismissal on grounds of sex discrimination against her employers, Southampton and South West Hampshire Area Health Authority.

Following the European Court's ruling, the case was remitted to the industrial tribunal to consider the question of compensation. Under UK legislation, the maximum compensation which could be paid at the relevant time was £6,250. The industrial tribunal assessed Miss Marshall's loss at £18,408, which included £7,700 in interest.

The area health authority paid the capital sum, but appealed against the tribunal's award of interest. The appeal went to the House of Lords which referred it to the European Court.

The case raises several important points, including the obligations of EC states to provide effective judicial protection of individuals' Community rights and what constitutes adequate compensation in such situations. The advocate general's opinion and the Court's ruling are expected next year.

C-371/91: *Marshall v Southampton and South West Area Health Authority*.

Frontier workers' rights clarified. The Court has provided further clarification of the position relating

to social security benefits paid to individuals who are resident in one member state and work in another.

The case concerned a woman who worked in Northern Ireland and resided in the Irish Republic with her husband and four children. She received child benefit in Ireland but then applied for it in Northern Ireland, where benefit levels were higher. The Northern Irish Court of Appeal referred the matter to the European Court.

The general rule under EC law is that the laws of the country of employment apply. But where an individual has a family in the state of residence, they are entitled to family benefits provided by that state. This rule does not apply, however, when the family already receives benefits given on the basis

of a professional or trade activity carried on in the state of residence by the person entitled to the benefits or by the person to whom they are paid.

In this case the husband carried on a trade but he was not the person entitled to the benefits. His wife should therefore have been entitled to benefits in both Ireland and Northern Ireland. The Court ruled that the persons entitled to benefits included persons who had care of the children, which in this case was the husband, so the only benefits available were those from the Irish authorities.

C-119/91: *McMenamin v Adjudication Officer*, ECI SCII, December 9 1992.

BRICK COURT CHAMBERS, BRUSSELS

Nestlé/Perrier. The European Commission's decision on the Nestlé/Perrier merger is to be challenged in the Court of First Instance by representatives of the Perrier workforce.

They argue that the merger should not have been cleared because it reduced the centres of competition in the bottled water market from three to two. They question the Commission's power to restructure the market through merger approval, and say that it should have prevented the disappearance of the third competitor rather than first allowing it to be destroyed and then requiring it to be recreated.

They also say the Commission should have ensured the merger did not infringe "fundamental social rights recognised by Community law" and claim they were not given a proper opportunity to participate in the proceedings.

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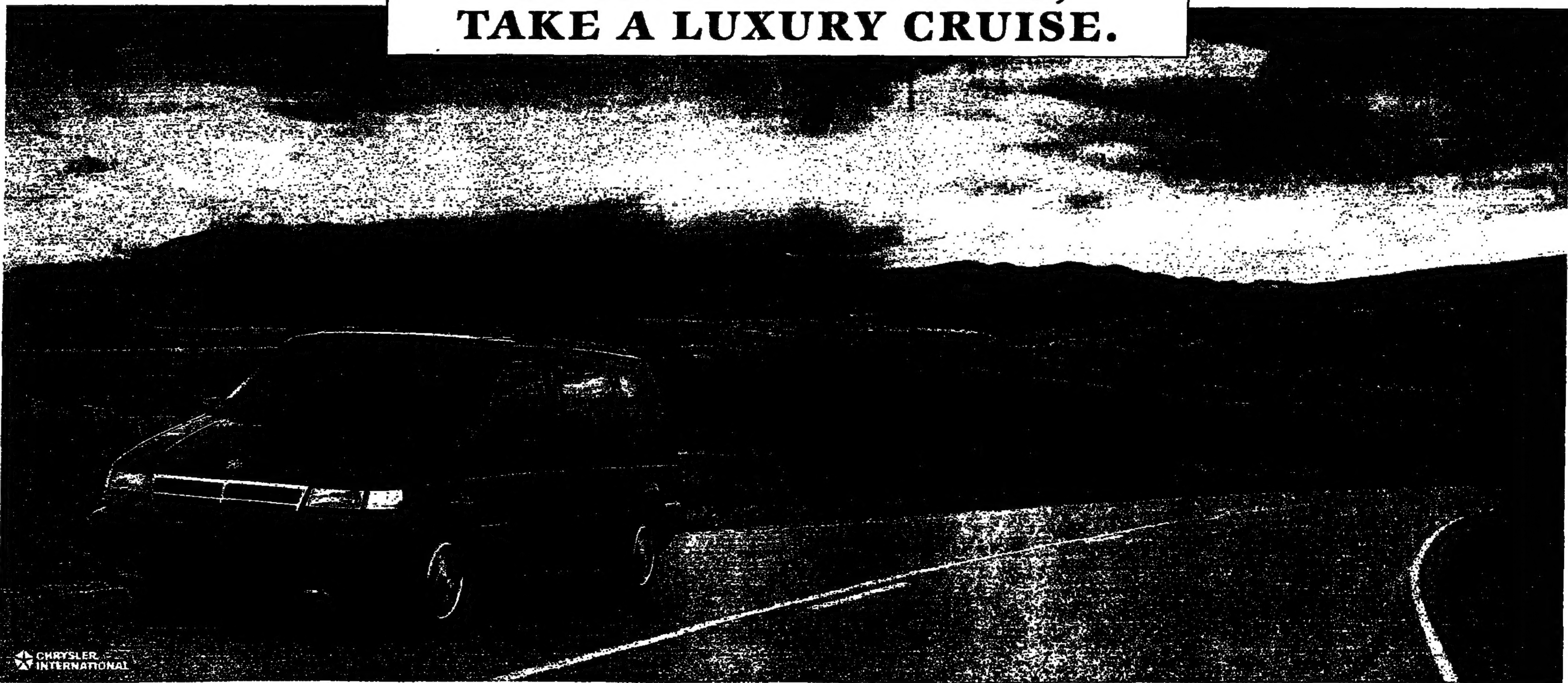
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MANAGEMENT: THE GROWING BUSINESS

Untying the tangle of red tape

Excessive bureaucracy is an unnecessarily costly burden on companies and, say critics, it stifles enterprise. Charles Batchelor reports

It is seven years since the government set up a special deregulation unit to fight red tape. Yet an official review of the bureaucracy with which businesses have to deal has unearthed more than 6,000 pieces of legislation and 2,500 forms still in existence.

However assiduous government is in attempting to reduce bureaucracy, all its efforts are undone by the weight of new legislation. The 1980 edition of Butterworth's Company Law, a basic reference work for the legal profession, was just 486 pages thick.

By 1991 it ran to 3,544 pages. Neil Hamilton, corporate affairs minister, said last week at the launch of a new government campaign to reduce the burdens on business.

The cost to business of complying with regulations is similar to the defence budgets of many developed countries, Graham Bannock, a small firms consultant, calculates.

Nor is the burden equally spread. Small businesses employing fewer than 15 people spend the equivalent

of 2.5 per cent of their turnover dealing with value added tax payments alone while companies employing up to 500 people devote just 0.07 per cent, Bannock says.

The owner of a small electrical contracting business employing two people who set out to master government regulations relating to his operations would have to read 26 booklets running to nearly 270,000 words, the Forum of Private Business calculated in 1984.

The forum has not repeated the exercise but believes that, if anything, the burden has grown heavier.

Most time is taken up in dealing with Customs & Excise, which administers VAT, and with the

Tell us of your experience

THE Growing Business Page will be highlighting over the next few months small- and medium-sized businesses which have experienced difficulties with excessive red tape. It will award a bottle of Laurent-Perrier pink champagne to each of the businesses featured. The owner-managers of

Inland Revenue which handles income tax. Business owners also have to deal with employment regulations, health and safety issues and local authority planning decisions.

Independently run businesses are invited to write in — on no more than two sides of A4 please — describing their experience.

Letters should be addressed to Charles Batchelor, Growing Business Correspondent, Financial Times, Number One, Southwark Bridge, London SE1 9HL.

European Community directives also now play an important part in the lives of many businesses. The announcement last week of a renewed deregulation drive by gov-

ernment coincided with the launch by the Institute of Directors of its own campaign to reduce red tape. The IOD has been sniping at individual examples of excessive regulation over the past year but has decided to put its efforts on a more permanent basis.

Peter Morgan, director general, urged the government to deregulate in areas which would have an immediate impact on the economy and job-creation.

Action which could be taken without the need for legislation would be particularly useful, he said. But he warned against attempts to reduce costs to government by simply transferring the burden to business.

The government, for its part, expects to complete its review of business legislation within the next few weeks. Departments will then draw up a list of priorities for action to reduce the burden.

From next April they will carry out a rolling review of regulations to ensure that pressure is kept up to minimise their impact.

Hamilton will make monthly reports to John Major, the prime minister, on the performance of different ministries.

Officials will be expected to make use of risk assessment and management techniques and to carry out regular assessments of the compliance costs of new regulations.

A guide for officials and businessmen will be published before Christmas.

Government departments frequently underestimated the impact of regulations, Hamilton said. The Home Office had estimated the cost of new five regulations at £1.7m but the Association of District Surveyors had calculated the cost at £3m.



Fund of assistance for enterprise

A £300,000 low-interest rate fund to back small businesses in London has been launched by Greater London Enterprise, Midland Bank and the nine London Training and Enterprise Councils.

The London Business Growth Fund will provide unsecured loans of up to £10,000 over three years at a rate of 2 percentage points below base rate to established small firms. The fund will also provide loans of up to £5,000 to start-up businesses run by people with disabilities, members of ethnic minorities, women and the long-term unemployed.

This fund brings to 17 the number of local small business funds backed by Midland and the amount of finance available to £3.57m, much of it at rates below base rate. The selection and monitoring of businesses backed is carried out jointly by the bank and local business organisations such as Tecs or enterprise agencies.

Chambers to raise voices in Brussels

Eurochambers, the Brussels-based organisation which represents 1,200 chambers of commerce in 23 European countries, is taking steps to increase its effectiveness. In the past it has been short of funds and has frequently been overshadowed by the Brussels offices of the different national chamber organisations.

A new, three-strong management team has been appointed; member chamber organisations have been persuaded to double their subscriptions; and fresh thought has gone into its future role. The catalyst for the changes has been Sir Thomas Macpherson, a "company doctor," who became president a year ago.

Eurochambers plans to strengthen its policy teams to be able to lobby more effectively at the European Commission. It will also provide a valuable mouthpiece for national chambers which do not have a Brussels office, including the Association of British Chambers of Commerce.

Eurochambers, Rue Archimède 5, bis 4, 1040 Brussels, Belgium. Tel 010 322 231 0715.

Owners driven up the wall

One year on, Barry Staples, managing director of Staples Group, is still furious about the visits he had from officials from the Health and Safety Executive.

The first suggested that he paint the bare breeze blocks which made up the factory wall. More seriously, she noticed unguarded machinery which needed to be protected.

She then asked for a chance to talk to the workforce. Staples says he did not sit in on the meeting in the canteen but staff came out apparently fearful that the factory might be closed down. As the official was leaving she told Staples he was lucky that she was not marching him off to magistrates' court.

Incensed by what he felt was heavy-handed treatment Staples contacted his MP and also asked for a meeting with a more senior health and safety official. Far from improving matters, this visit enraged Staples further. A request for more advice on complying with the rules, Staples recalls, met with the response that the official's job was to ensure that the law was obeyed by prosecution and not by advice.

Staples says he took immediate action to guard the machinery but, less impressed with the need to

paint the factory wall, he delayed the work until the next factory shutdown. These visits left him, he says, with some sympathy for companies which avoided the mass of regulation surrounding business by sub-contracting out their manufacturing to low-cost countries.

Ironically, Staples had only recently moved into manufacture. For the first 100 years of its existence it was a distribution and marketing company, supplying the clothing industry with a range of accessories including zips, elastics, labels and cutting room supplies.

Six years ago the Huddersfield-based company started manufacturing, buying a company making shoulder pads and establishing its own paper converting operation to produce the specialist papers required by the clothing industry. This shift of emphasis — manufacture now accounts for 60 per cent of turnover — brought the company into contact with a new set of regulations.

"You have to become an instant expert," says Staples who, with his brother, Robert, is the fourth generation of his family to run the business. "It is impossible for a company to be run legally. I have to

know every UK regulation and European Community directive related to manufacturing otherwise I am guilty. You hear of companies giving up manufacturing because of the hassle."

If it were only a question of dealing with the health and safety rules the problem might not be so bad. But the complaint of Staples and many other businessmen is that while individual pieces of legislation might be manageable they have to deal with a welter of different regulations.

Staples is currently writing a new software programme to handle the changes to the VAT regulations which take effect on January 1 when the European single market comes into being.

He is 60 per cent through the writing of his software programme but says the new system make life difficult for business. He is unable to fill in Customs' Intrastat form, detailing his imports and exports, by pen but must type it in. He cannot use a standard computer print-out but must put the data into a special format.

"It suits them but it doesn't suit business," comments Staples. "This is just one of the hundreds of things that we have to get right. I work



an 18-hour day and I have not had a completely free weekend for over a year. The effort is colossal and it is totally non-productive."

The administrative demands placed on a company with just two directors, one general manager and a workforce of 60 people are completely unreasonable, Staples believes. "We are still ahead of the game but I am having to leave it to

my brother to run the business. When it comes to meeting regulations you can never argue that you cannot afford it."

The Health and Safety Executive said that regulations requiring factory walls to be kept clean by being painted or whitewashed dated back to the Factories Act of 1961. Safety and conditions in factories and offices are governed by three

separate pieces of legislation, aspects of which are being superseded by new European Community-inspired regulations which take effect next month. Inspectors provide advice where possible but sometimes encounter business owners who are either not interested in safety issues or are adversarial.

CB

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

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The University of Huddersfield is developing links with China's premier Provincial University, Zhejiang Province with a view to establishing a joint one year full-time MSc Euro-Chinese Business Practices.

The focus is on empowering UK businesses and key personnel with the skills needed for successful promotion of trade and commerce between the UK & China. Participants spend six months at the University of Huddersfield and six months at Zhejiang Province University familiarising themselves with Chinese business practices, finance, cultural ethics, network channels and contacts. There is tuition in basic Chinese language skills.

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COMPANY NOTICE

WEST RAND CONSOLIDATED MINES LIMITED (Incorporated in the Republic of South Africa) [WRC]

RESULTS OF GENERAL MEETING AND RELATED MATTERS

1. Results of general meeting: FirstRand Bank Limited is authorised to announce that, at the general meeting of WRC held on Monday, 14 December 1992, an ordinary resolution to ratify and approve the disposal by WRC of a major portion of its operating assets and freehold land to First Westgold Mining (Proprietary) Limited, First Westgold Properties (Proprietary) Limited and the Westgold Joint Venture, with effect from 26 August 1992, was passed by shareholders.

2. Transfer of listing: The committee of The Johannesburg Stock Exchange has agreed to transfer the listing of WRC's ordinary shares from the Gold - "Miscellaneous and Others" sector of the list to the Gold - "Curtailled Operations" sector of the list with effect from the commencement of business on Monday, 21 December 1992.

3. General: The directors of WRC are evaluating the risk/reward profiles of alternative future strategies for WRC, taking cognizance of the restrictions placed on WRC on any debt distributions.

Johnesburg 15 December 1992

Shareholder benefits: FirstRand Bank Limited, Proprietor: Westgold Mining (Proprietary) Limited, a member of the First Rand Group

Spinning brokers: In the Republic of South Africa: Ed Hain, Proprietor: In the Republic of South Africa: Ed Hain, Proprietor: In the Republic of South Africa: Ed Hain, Proprietor

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Further information may be obtained from Peter Copp quoting ref. 7/PDC, at Sky Hayward, 8 Baker Street, London W1M 1DA. Tel: 071-486 5888 Fax: 071-935 3944.

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REPEAT INVITATION TO TENDER FOR THE HIGHEST BID FOR THE PURCHASE OF THE GROUPS OF ASSETS OF "GREEK OLIVE OIL S.A.", of Athens, Greece

"ETHEKIO KIPHALISSOU S.A. Administration of Assets and Liabilities" of 1, Skoufias Street, Athens, Greece, in its capacity as Liquidator of "GREEK OLIVE OIL S.A." a company having its registered office in Athens, Greece (the "Company"), which is presently under the control of special liquidation according to the provisions of article 46a of Law 1892/1990, announces a repeat call for tenders for the highest bid by submission of sealed bidding offers for the separate purchase by public auction (the "Auction") of one or more of the groups of assets of the Company, described below.

BRIEF INFORMATION ON THE COMPANY: The Company was engaged in the production and processing of olive oil and soap. The operation of the Company has ceased since 1990 and is presently in liquidation.

GROUPS OF ASSETS OFFERED FOR SALE (brief description):

1. Plant in Athens (1st Auction) on a 30,000sqm plot, consisting of: brand olive oil facilities, soap manufacturing, distillation of fatty acids, brand olive oil processing and refinery unit (de-mo) main production and by-products production sections.
2. Kerosene oil plant in Zakynthos (2nd Auction) on a 5,850sqm plot (5,115sqm inside and 735sqm outside the town plot) and a 360sqm plot near the plant (water: legal proceedings are pending in respect of this plot).
3. Kerosene oil plant in Mytilene (3rd Auction) on a 5,350sqm plot.

OFFERING MEMORANDUMS-FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum for each of the above mentioned groups of assets and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTIONS

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the respective Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of a bidding offer shall mean acceptance of such provisions and other terms and conditions.
2. Bidding Offers: For the participation in each of the Auctions interested parties are invited to submit a sealed bidding offer, not later than the 11th January 1993, 11.00 hours a.m. to the Athens Notary Public-Apostolopoulos, address: 18, Pallas St., Athens, tel: +30-1-362.51.91 or 361.97.28.

Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the date thereof and the proposed annual interest rate). Bidding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offer shall be binding until the auction.

3. Letters of Guarantee: Bidding offers must be accompanied by letters of guarantee, issued, in accordance with the draft form of letter of guarantee contained in the respective Offering Memorandum, by a bank legally operating in Greece to be valid until the auction. The amount of the letters of guarantee must be as follows: (a) for the Plant in Athens (1st Auction): six million (6,000,000); (b) for the Kerosene oil plant in Zakynthos (2nd Auction): six million (6,000,000); and (c) for the Kerosene oil plant in Mytilene (3rd Auction): six million (6,000,000).
4. Letters of guarantee shall be returned after the auction. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 herein, the letters of guarantee shall be forfeited as a penalty.

5. Submission of Bidding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submission shall be made by hand or by registered mail. The envelopes shall be opened on the 11th January 1993, at 14.00 hours p.m. Any party having duly submitted a bidding offer shall be entitled to attend and sign the deed attesting the result of the bidding offer.

6. As highest bidder shall be considered the participant whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the Liquidator, to be the best interests of all of the creditors of the Company. Merit is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 20% compounded quarterly or yearly.

7. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned herein and execute the contract of sale in accordance with the terms contained in his bidding offer and/or any other improved terms which may be suggested by the Creditors and approved by the Liquidator. Adjudication shall be deemed to take effect upon execution of the contract of sale.

8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The Liquidator and the Creditors shall have no liability or obligation whatsoever towards the participants in relation to the evaluation of the offer or the appointment of the highest bidder or any decision to reject or cancel any of the Auctions or any decision whatsoever in connection with the proceedings and the making of the Auctions. The Liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of a bidding offer shall not create any right for adjudication nor the participants shall acquire any right, power or claim from this invitation under their participation in any of the Auctions against the Liquidator and/or the Creditors for any reason whatsoever.

10. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator of the Company: "ETHEKIO KIPHALISSOU S.A. Administration of Assets and Liabilities", address: 1, Skoufias Street, 105 61 Athens, Greece, tel: +30-1-323.14.84, fax: +30-1-321.79.05 (fax: Mr Peter P. Apostolopoulos) or the Liquidator's agent: Mr Apostolopoulos, address: 25, Polytechnic St., Athens 105 61, tel: +30-1-324.05.72 or 321.88.20.

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For further information contact the Joint Administrative Receiver, Tony Thompson, KPMG Peat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF. Tel: 0727 430000. Fax: 0727 41005.

KPMG Corporate Recovery

BANK OF ATHENS

BANK OF ATHENS (FORMERLY TRADERS CREDIT BANK) INVITATION FOR DECLARATION OF INTEREST FOR THE COMPANY NAMED ATHENS PIPE WORKS S.A.

For reasons not depending on the liquidator's volition it was not possible for the BIDDING MEMORANDUM to be drawn up in time and delivered to the interested buyers.

In the light of the foregoing liquidator Bank of Athens (formerly Traders Credit Bank) in compliance with Article 14 (46) of Law 2000/1991 invites all interested parties, whether they had declared their interest in the past or wish to declare it now, to submit within 20 days a non-binding DECLARATION OF INTEREST in purchasing the assets of ATHENS PIPE WORKS S.A., which has been placed under special liquidation in accordance with the above law. The interested parties will be able to receive the BIDDING MEMORANDUM after signing the relevant secrecy declaration.

THE COMPANY

The Company is basically engaged in the manufacture of welded steel pipes as follows:

- a) Longitudinally welded steel pipes (12" - 103 3/4") for water supply, mechanical structures, line pipe casing and tubing (with API monogram), water pumping (ASTM) etc.
- b) SPIRAL weld seam pipes (8 1/4" - 80")
- c) Steel quick coupling pipes (diameter 70-150).

In addition it has two units for the production of enamelled bathtubs and radiators for central heating.

The Company's plant at Chalki (Evia, Greece), is built on a plot of land with a total area of 432,700 sq metres, and its enclosed space consists of five (5) independent large buildings and four (4) smaller ones and is 74,800 square metres in area.

The power of the mechanical equipment is 30,000 KW and total production capacity can attain 100,000-150,000 tonnes per annum depending on the product mix.

Further, the Company owns a plot of land located at Nea Ekklesia, Thessaloniki (49, Langada Street), which is 17,200 metres square and the enclosed space is suitable for use as a warehouse (5, 143 square metres in area).

Interested parties may submit their written non-binding declaration of interest to the company's central office at 280, Piraeus St., Athens addressed to Mr DEM. VARNALIS, the liquidator's representative (Tel: 4811.375- 4820.828 Fax 4810.171, Telex 21 2750 APWA).

CONTAINER LOADING/ WAREHOUSING/ FORWARDING BUSINESS
Substantial UK company wishes to sell the above as a going concern with client base etc. Turnover £2M per annum. Contact: Box A4491, Financial Times, One Southwark Bridge, London SE1 9HL.

PROCESSING AND RETAIL DAIRY FOR SALE
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Family business established 1926, financial sound. Includes 4 acres of development land. Write to Box A4454, Financial Times, One Southwark Bridge, London SE1 9HL.

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For sale. Well Est. user base. Record sales. Tremendous growth opportunity. Current management available. Price circa £2.5m. Please write Box A4637, Financial Times, One Southwark Bridge, London, SE1 9HL.

AIRCRAFT FOR SALE

OLYMPIC AIRWAYS
offers for sale and lease back four(4) Aircraft Airbus A300 B4-100
MFG SN 105 148 184 180
MFG Date 1980 1981 1982 1982

Offers must be submitted not later than January 8th 1993 1400 local time and according to the terms and conditions which will be provided upon request from Olympic Airways / Technical Operations Department Mr E Kakoulidis Manager Materials / Management Division on weekdays during working hours.

Tel: 93822225
Fax: 9812347
TLX: 210619 OAU GR, SITA ATHPZDA

Gemini Fashion Accessories Limited

The Administrative Receivers offer for sale the business and assets of the above company

- Manufacturer and distributor of fashion accessories
- Blue Chip customer base
- Turnover over £2million
- In house design team
- Freehold property in Bedlington, Northumberland and leasehold property in St Helens, Lancashire

All enquires to Roger M Griffiths, Joint Administrative Receiver, Ernst & Young, Central Exchange Buildings, 33A Grey Street, Newcastle upon Tyne NE1 6EL.
Telephone: 091-221 1222. Fax: 091-261 2916.

ERNST & YOUNG
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GREEK EXPORTS S.A. INVITATION

For expressions of interest in purchasing the assets of the Heating Equipment Industrial and Commercial S.A. (ABEETHI).

In line with the Government's de-nationalisation policy and on the basis of Law 2000/1991, HELLENIC EXPORTS S.A., a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A. (ETBA S.A.) based in Athens at 17 Panepistimiou Street, has been appointed liquidator by Decision No. 933/26.11.1992 of the Athens Court of Appeals and intends to sell, by the procedure set out in article 46a of Law 1892/1990 as complemented by article 14 of Law 2000/1991, the total assets of the HEATING EQUIPMENT INDUSTRIAL AND COMMERCIAL S.A. (ABEETHI), based in Rizopolis, Attica.

ABEETHI was established by ETBA S.A. in 1988. ETBA S.A. is its sole shareholder. The object of ABEETHI was to take over the activities of THERMIS S.A. which is under liquidation and is owned 88.156% by ETBA and 11.844% by private individuals. ABEETHI is engaged in producing and selling cast iron boilers and steel heating radiators and selling heating and air conditioning equipment. Its products are sold under the recognised trade mark "THERMIS" which ABEETHI is entitled to use. Its installations are on a rented space of 11,000 sq. metres at Rizopolis, Attica.

FINANCIAL DATA (in thousand drachmas)

	1989	1990	1991
Total Assets	540,545	551,453	630,064
Total Sales	1,211,813	1,077,963	866,318

Note: The above financial data have been taken from published Balance Sheets.

DE-NATIONALISATION PROCEDURE

- I. Within twenty (20) days of publication of the present invitation, interested buyers must submit a non-binding written expression of interest.
- II. Prospective buyers, after having promised in writing to maintain confidentiality, can receive the Offering Memorandum and have access to other information concerning the business for sale.
- III. The announcement of a public auction for the highest bid will be published within the prescribed time limits and in the same newspaper.

For any additional information please apply to:
The Head Office of ETBA S.A. (Shareholdings Dept.), 87 Syngrou Ave., 2nd Floor, Tel: 30-1-929-4385-6.
b) GREEK EXPORTS S.A., 17 Panepistimiou St. (1st Floor), Tel: 30-1-324-3111-115.

Touche Ross

P. L. Willcox Limited and subsidiary companies (In Administrative Receivership)

The Joint Administrative Receivers, J. B. Atkinson and A. P. Peters offer for sale the business and assets of the above engineering companies established in 1913.

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- Own products in spraying, hydraulic and garage equipment fields.
- Broad customer base covering several industries.
- Freehold property.
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- Turnover £0.6m.

For further information please contact Roger Brown or Kate Williams at the address below.

Colmore Gate, 2 Colmore Row, Birmingham B3 2BN.

Tel: 021 200 2211. Fax: 021 236 1513.

Authorized by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

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A F Budge (Contractors) Ltd Retford, Nottinghamshire

Major UK contractor in the construction of roads and bridges.

- projected 1992 turnover in excess of \$85m
- current order book circa \$30m
- strong experienced management team
- approximately 185 employees.

A F Budge (Building) Ltd Birstall, Yorkshire

Builders and designers in the industrial, commercial and public sectors

- nationwide client base
- projected 1992 turnover greater than \$34m
- current order book circa \$21m
- strong experienced management team
- approximately 140 employees.

For further information please contact Jonathan Wickett or Ian Jones, Coopers & Lybrand Corporate Finance, 5 Albion Place, Leeds LS1 6JP quoting reference JRW/MLJ/SMH302. Fax: (0532) 438260. Tel: (0532) 431343 (if telephoning please ask for the Budge Information Desk on Ext: 3273/3250)

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Recomac Limited

Astley, Manchester

The Joint Administrative Receivers offer for sale as a going concern the business and assets of the above company.

Principal features include:

- Specialist road surfacing company.
- Working for local authorities and large civil engineering construction companies throughout England, Scotland and Wales.
- Turnover: in excess of £3.5 million.
- Current contracts and orders in hand: approximately £400,000.

For further information contact the Joint Administrative Receivers, Philip Ramsbottom and Peter Terry, KPMG Peat Marwick, 7 Tib Lane, Manchester, M2 6DS. Tel: 061 832 4221. Fax: 061 832 7265. Telex: 688 285 PPMAN G.

KPMG Corporate Recovery

LUDACROFT LTD (IN LIQUIDATION)

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THE ASSOCIATION OF FUTURES BROKERS AND DEALERS LIMITED
(Company No. 1829437)

Regulated in England and Wales
Notice is hereby given that following the transfer of the business of the above company to the Securities and Futures Authority Limited, the above company is being wound up voluntarily. Notice is hereby given that the condition of the above company are required to be as follows 5 February 1993, to send their names and addresses and the names and addresses of their solicitors to D. Kessell or A. Whitburn of Clifford Chance, 200 Abchurch Lane, London EC4A 3DF, Liquidators of the company and if so required by notice in writing from the Liquidators on, previously or by their solicitors to come in and prove their said debts or claims at such time and place as shall be specified in such notice or in default thereof they will be excluded from the benefit of any distribution made before such date approved. D. Kessell, A. Whitburn Liquidators

SANDFORD GLAZING LIMITED

The Joint Administrative Receivers offer for sale the business and assets of Sandford Glazing Limited, the largest contract glazing company in the North West.

Principal features are:

- 28,000 sq. ft. freehold factory in Leigh, Lancs.
- Annual turnover circa £2.5m.
- Manufacturing capability for UPVC and aluminium frames.
- Good order book with leading housebuilders for sealed double glazing units and patio doors.
- Retail outlet in Lymm, Cheshire.

For further details, contact either:-

Stephen Quinn or Anthony Hayton, BDO Binder Hamlyn, Southfield Properties House, 52 Broom Street, Manchester, M2 2AU. Tel: 061 831 7121 Fax: 061 833 0649

BDO BINDER HAMLYN

Chartered Accountants
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Anyone in the computer business seeking a quiet life would be well advised to avoid the complex topic of downsizing - the practice of replacing expensive mainframe computer systems with networks of smaller, cheaper computers. It can provoke strong emotions.

One of its strongest advocates is William Connor, director of information technology for the general systems sector of Motorola, the US electronics company.

Connor and other proponents of downsizing usually point to two main goals. The first is to achieve a new responsiveness to business needs.

Much business software is delivered too late to take advantage of market opportunities.

The second is to cut costs. A study by Hoskyns, the UK-based computing services company, indicates that most organisations downsize for cost reasons, although claim to be seeking enhanced performance. Cost containment is, according to a Price Waterhouse survey, still top of a data processing manager's priority list.

Motorola moved its applications from IBM mainframes to its own make of distributed, multiuser Unix-based microcomputers. According to Connor, the purchase of packaged application software suited to Unix and the use of computer-based development tools cuts software development times by two thirds.

All his computing and telecommunications costs amount to 1.4 per cent of revenues, compared with more than 3 per cent for similar companies. "We are running at less than half the average of these companies. That translates to a saving of more than \$40m (£26m) a year. That is \$40m of cost avoidance which can finance further reduction of selling prices, increased research and development and profitability to the corporation."

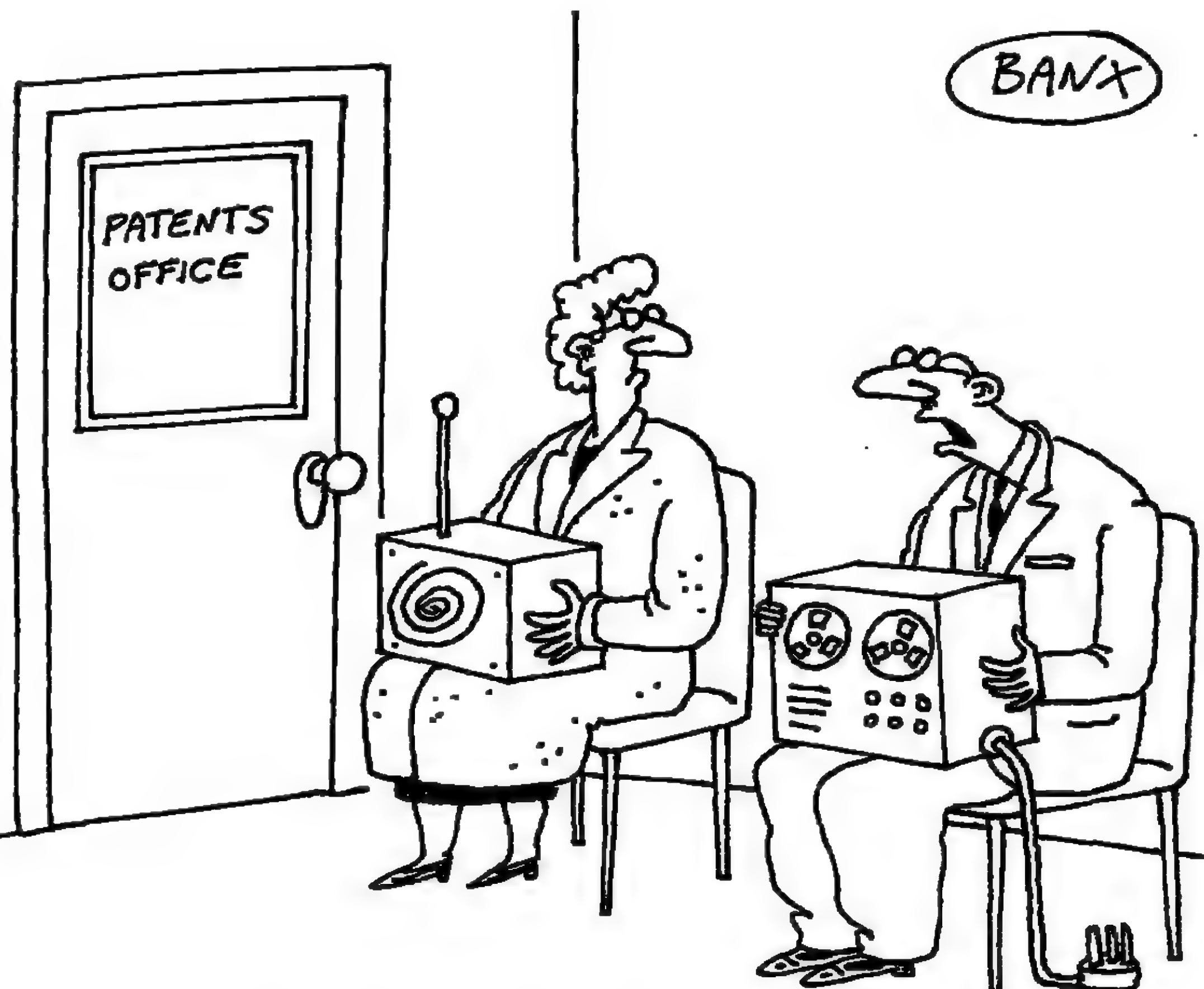
Motorola wants to eliminate all mainframe processing. With improved system administration and network management, Connor believes the cost of managing information systems can be reduced to less than 1 per cent of sales by the end of 1993.

Motorola seems to demonstrate convincing proof of the efficacy of downsizing. The logic in its favour is impressive. Mainframe computers are undoubtedly expensive. By one, albeit imperfect, measure of performance - millions of instructions per second (mips) - they are vastly more expensive than workstations or personal computers. A larger mainframe costs about £50,000 for a large mainframe compared with less than £500 per mips for a personal computer.

Mainframes also have to be housed in a data centre and fed electricity and chilled water, not to mention expensive operating and applications software.

Ups and downs of downsizing

Emotions are running high as the computer industry debates whether to phase out expensive mainframes in favour of less cumbersome units, writes Alan Cane



"I'VE INVENTED THE PERSONAL MAINFRAME."

housed in a data centre and fed electricity and chilled water, not to mention expensive operating and applications software.

On this page last month, however, Peter Slavid, corporate systems manager for ICL, expressed a somewhat iconoclastic view when he said that by 2000 there would be a strong trend towards upsize - using a central mainframe to process data held on a central database.

"Any downsized organisation looking for cost-effective solutions will undoubtedly have to extract data from expensive personal computer and Unix systems and dump it onto a parallel database server where it can be managed efficiently and cheaply. I would challenge anyone to dispute this point," he wrote.

Slavid, whose job it is to sell mainframes, obviously has a commercial axe to grind. The fact remains, however, that the jury

appears still to be out on the cost savings from downsizing. The Hoskyns study - involving more than 270 interviews with executives with responsibility for information technology - concluded: "Despite the general perception that downsizing is the path to cost effective IT, more than one-third of respondents were unable to quantify the cost savings associated with migration and conversions. For those that could quantify costs, some saved millions of

pounds while others had actually incurred additional costs." Xephon, the UK-based IT consultancy takes an extreme position: "Far from being obsolete, mainframes currently offer the most cost effective computing facilities for all but the smallest organisations - and will continue to do so for the foreseeable future."

Xephon supports its claim with a series of calculations on the cost of hardware, including terminals, printers and other peripherals; the cost of applications software; and the cost of operating the system.

To illustrate this, it uses as examples a pair of IBM mainframe configurations supporting several thousand users, comparing the cost of these systems with a group of proprietary and Unix-based midrange systems from IBM, DEC and Hewlett Packard and a selection of personal computers, including the cost of printers and networking hardware and software.

Xephon calculated basic hardware and software costs over five years for these systems (excluding finance costs and ignoring inflation) and decided the cost per end user was £1,545 to £2,236 for mainframes, £1,806 to £2,286 for proprietary midrange machines, £1,680 to £2,240 for Unix systems and £2,900 to £9,000 for PCs running on a local area network.

But mainframes and midrange systems take up floor space and may have special environmental requirements. That takes the cost of mainframes per user up to £2,478 to £3,170, with smaller increases for the midrange machines. PC network costs were not affected.

Finally, Xephon added the cost of applications software, the cost of specialist support to help when users are unable to help themselves, and the cost of employees' time wasted because small systems respond more slowly than mainframes. The result was striking. Mainframes cost between £5,282 and £5,973 per user, proprietary midrange systems £7,306 and £7,766, Unix systems £7,180 to £7,740 and networked personal computers, £9,400 to £15,500.

It is possible to take issue with the assumptions Xephon has made in arriving at these figures. What is not in question is that downsizing involves costs that are neither obvious or negligible and are frequently ignored in making the case for downsizing.

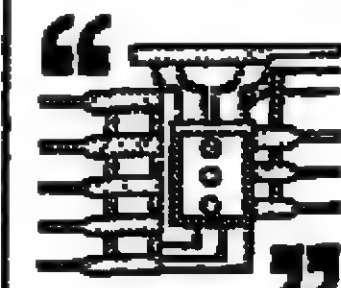
Input, the US-based consultancy, says the proper justification for downsizing must be directly related to the contribution that a new information architecture can make to business objectives.

In other words, beware of fashion, a curse of the data processing business. Slavid may yet be proved right.

Technically Speaking

Research faces uncertain future

By Clive Cookson



Tensions behind the scenes over the UK government's forthcoming White Paper on Science and Technology erupted in public as the deadline for submissions passed last week. Dai Rees, Medical Research Council secretary, made an astonishing attack on the "amazing and appalling" proposals put forward by the government-appointed Advisory Council on Science and Technology.

Acost advocates abolishing the five research councils that distribute about £1bn a year in grants and contracts.

Instead, it wants the government to set up one agency to support "curiosity driven research" and another to fund "mission oriented research".

Acost - whose members include industrialists and academic researchers - also proposes to privatise the research councils' units and institutes.

Rees told a press conference the Acost proposals were "naïve and wrongly founded, and far from the best interests of the nation. We regard the integration of basic and clinical work as absolutely vital to our mission," he said.

Rees warned that privatised research units "will need to employ armies of administrators, PR people and marketing experts to ensure that they can survive."

Acost's scheme would mean providers of basic research would compete for funds in a free market. Such an approach might appeal to the present government, but it would be extremely damaging to the long term continuity of Britain's world-class scientific teams.

Some distinguished members of Acost, including Sir Michael Atiyah, president of the Royal Society, have quietly dissociated themselves from its proposals.

But Rees rightly felt he had to speak out because "Acost was constituted to give scientific advice to the prime minister, so anything it says may be taken seriously."

The Acost submission is one of 520 documents received during the

government's White Paper consultation period.

"All the views expressed will be taken on board and fed into our thinking," said William Waldegrave, the minister responsible for science.

However, he and Bill Stewart, chief scientific adviser in the Cabinet Office, will find it extremely hard to draw together common threads from so many contradictory and inevitably self-interested views.

They would waste an opportunity if they did not consider making radical changes, since this is the government's first fundamental review of science and technology since the 1971 Rothschild report.

But the area crying out for far-reaching reform is not basic research - the research councils are doing a reasonable job, though there is scope for some reorganisation.

What needs to change is the way the government funds and conducts industrial and applied R&D.

The Office of Science and Technology, which John Major set up after the General Election as part of the Cabinet Office, is directly responsible only for basic research. It should be given new powers to co-ordinate R&D across the whole government, in collaboration with industry.

The Ministry of Defence and the Department of Trade and Industry, in particular, carry out important R&D programmes that seem often to lose out in the internal competition for departmental funds.

The MoD spends hundreds of millions of pounds a year supporting technologies such as advanced materials, electronics and computing, which must be protected from the run-down in military spending and redirected towards civil industry.

The challenge Waldegrave faces is convincing his cabinet colleagues to surrender some control over their departmental R&D, to give Britain its first co-ordinated national policy for science and technology.

PEOPLE

Triplex Lloyd promotes finance director



Triplex Lloyd, the West Midlands engineering group which today announces its results for the half year to end-September, is promoting 38-year-old finance director John Foley (left) to the new position of group managing director under Colin Cooke, who remains executive chairman.

Cooke had stepped into the breach as both executive chairman and chief executive when Jim Deal died suddenly in July of last year at the age of 46. Cooke had previously been non-executive deputy chairman, with a number of outside directorships after a career at RTZ, Hepworth, GKN and Dupont.

Foley, the youngest member of the board, says the move comes "because the

rest of the board think I am ready for it". He adds that he is not aware there were any other internal or external candidates for the position.

Triplex is viewed as having steered a relatively successful course through the recession with the recent growth of the business focused in the automotive and power divisions, rather than the building products division.

Foley has been finance director for the past three years. He had joined from Fosco, where he had latterly been director of corporate finance. A trained barrister, who says he did not continue in the law because he could not afford to at the time, he trained as a chartered accountant with Price Waterhouse.

Non-executive directors

■ Michael Hamilton, Graham McCallum, Douglas McDougall and Graham Veltch at PACIFIC HORIZON INVESTMENT TRUST; Kevin Kenny has resigned as a director.

■ David Gratton, executive chairman of Colgate Medical, at PROTEUS INTERNATIONAL.

■ Gordon Dunlop has retired from HI-TEC SPORTS.

■ John Browne, chief executive officer of BP Exploration, at REDLAND.

■ Paul Douglas, former chairman and ceo of The Pittston Company, Edward Palmer, formerly a director of Citicorp and Citibank, and David Wallace, chairman of National Securities and Research Corporation, at

HOLMES PROTECTION.

■ Robert Gariton-Porter at EBC Group.

■ Lord Parkinson of Carnforth as chairman of USBORNE; Derek Sawyer is retiring.

■ Tony O'Brien, group md of Cantrell & Cochrane Group, president of the Federation of Irish Employers and a member of the national executive of the Confederation of Irish Industry, at CRH.

■ Alan Garnett, group chief executive of Tudor Webasto, at ULTRA GROUP.

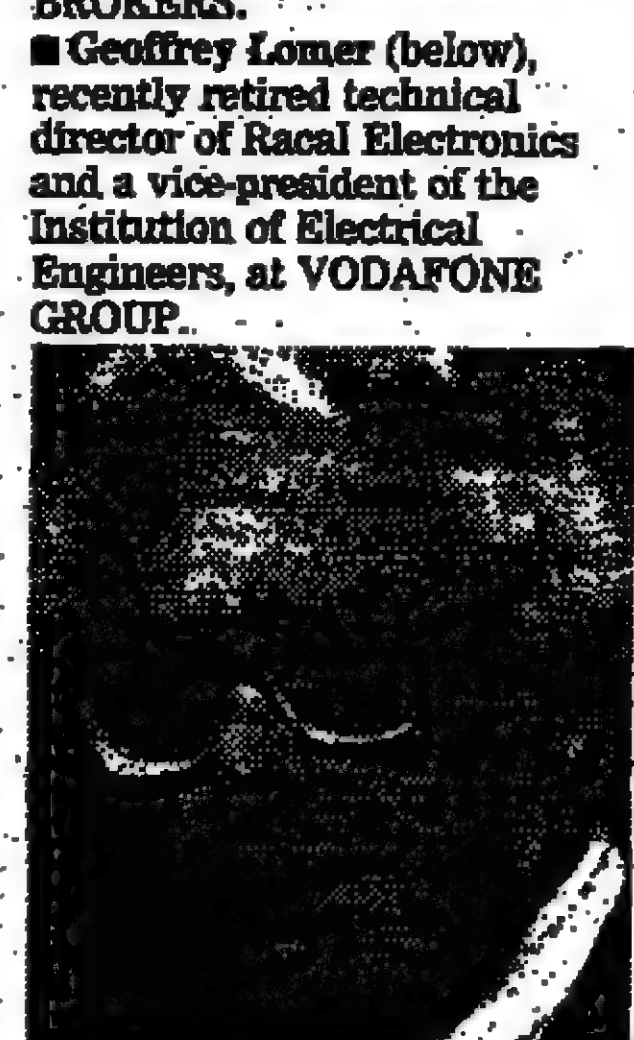
■ Sir Raymond Lygo, chairman of TNT Express (UK), as chairman also of TNT Europe and a director of the supervisory board of GD Express Worldwide NV.

■ Simon Miller, chairman of Ferrum Holdings, at ADAM & COMPANY GROUP.

■ Jim McColgan, recently retired group md of Blue Circle Industries, at MARSHALLS.

■ John Lambie, formerly chief executive of the National Roads and Motorists' Association of New South Wales, at RAC INSURANCE BROKERS.

■ Geoffrey Lomer (below), recently retired technical director of Racal Electronics and a vice-president of the Institution of Electrical Engineers, at VODAFONE GROUP.



Daks departure

Harry Kuiper, a director of Daks Simpson, the clothing manufacturer and retailer, has resigned from the company after 19 years for "personal reasons".

Kuiper, 55, was managing director of production at Daks Larkhall factory in Scotland, and joined the board in 1981.

Daks says it does not know Kuiper's plans. His resignation was "quite unexpected" with other departures this year, including that of Johnny Mengers, the pony-tailed chief executive who had been with the company for 40 years.

There was speculation that Mengers' departure resulted from friction between him and Sankyo Seiko. But the company insisted that the new Japanese owner had honoured its promise to preserve the management's autonomy.

■ Barry Kergon, 46, former world sales director for Whyte & Mackay, the US-owned Scotch whisky and Vladimir vodka distiller, is to head the group's restructured sales and marketing operational division.

■ Stewart McBride, 39, continues as EC and international sales director; Vic Skelton, 42, becomes marketing director; Alan Thomson, 34, will be responsible for EC sales; and Steve Thomson, 33, is promoted to the new post of commercial director.

■ Charles Shaw, 41, assumes the new title of group marketing and corporate development director. Alastair McIntosh, 51, md of William Muir, the group's blending and bottling subsidiary, and Brian Merson, 33, former divisional director of operational planning, will join the group board.

'A very good fit', to coin a phrase

Roger Holmes is not prepared to venture a comment on what he thinks of the new 10p coin. "I have to learn more about the options, about what goes into making coins."

No numismatist himself, the new deputy master and chief executive of the Royal Mint, who left the board of Chloride in the summer, reckons the job is "a very good fit" given his own mixture of private and public sector experience.

The Royal Mint, which boasts a 1,100 year history of producing coinage, and which is now an executive agency in the context of the Next Steps initiative, is a significant international business, last financial year turning over £88m (£90.4m of which was in export sales) and recording profits of

£11m. Master of the Royal Mint is the chancellor of the exchequer, but this is an ex officio position, so that deputy-master is both the chief executive and effectively the chairman of the board of directors. Holmes, who takes over at the beginning of next year, succeeds Tony Garrett, 64, who was the first deputy master to be appointed from the private sector.

Holmes' career began at the Board of Trade/DTI, where he rose to the position of assistant secretary. In 1980, he was seconded to British Leyland, from where he followed Sir Michael Edwards to Mercury International.

He then "took the plunge" as he puts it, into the private

sector, in 1984, joining ICL, again following in Sir Michael's footsteps.

He spent six months at Dunlop before it was swallowed by BTR and has been on the board of Chloride for the past six years. Corporate operations director for the second half of his stint, he was responsible for the overseas battery business in Asia and Africa, and had all central functions, apart from finance, reporting to him.

On completion of the large-scale divestment programme aimed at repairing the battered Chloride balance sheet, he left in the summer - having worked himself out of a job, he says - a few months after Keith Hodgkinson, who was recruited from GEC, was made chief executive.

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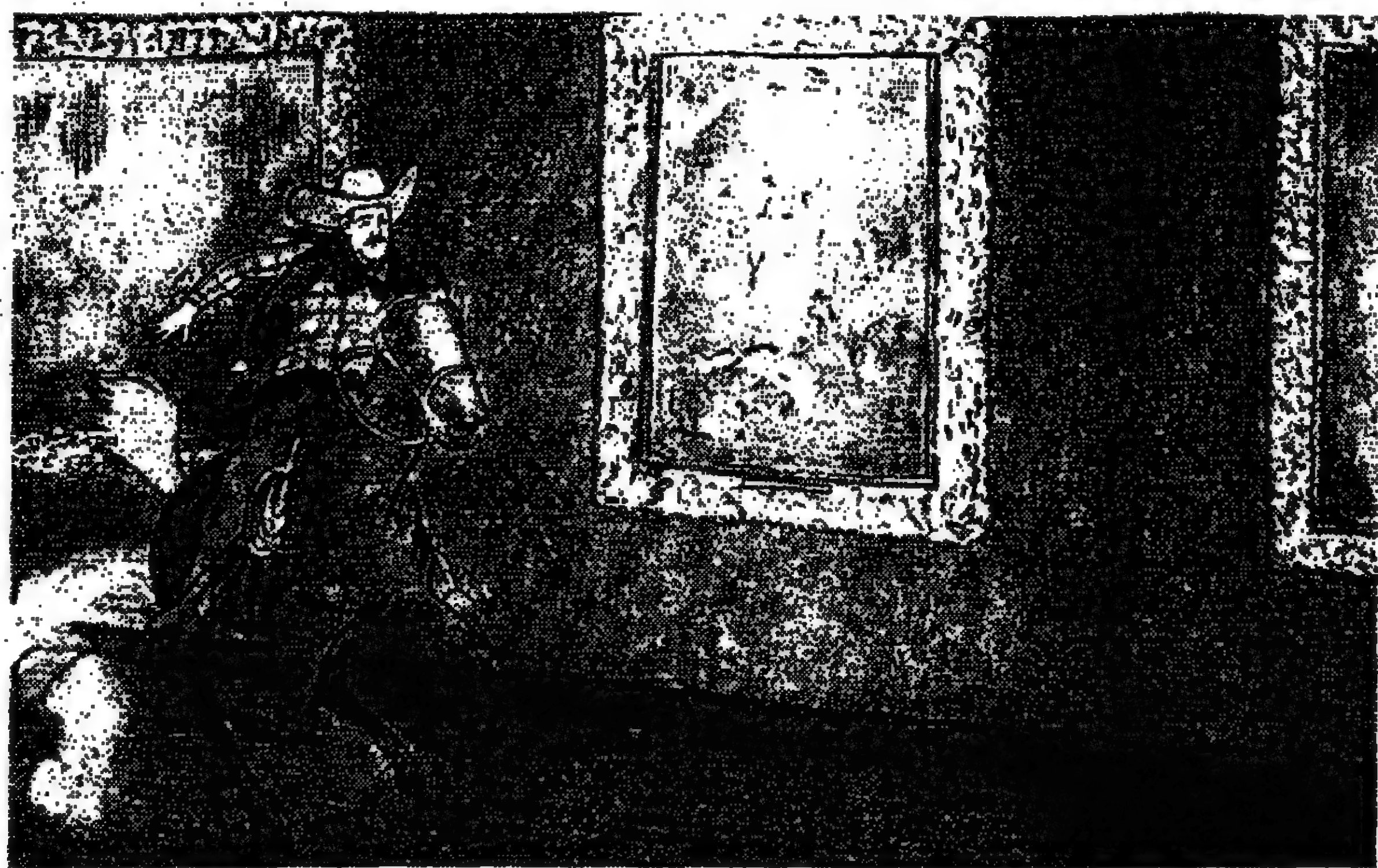
Pictures worth picking up

Autolycus, "picker-up of unconsidered trifles", we know as the rogue and pedlar of *The Winter's Tale*, which brings me to a seasonal swag-bagful, not of trifles exactly, but of current offerings that otherwise might well pass unnoticed and well worth picking-up.

Glen Baxter is that not uncommon type, the naturally funny man who would be taken seriously, the fool or Jacques, mordant, ironical, but funny nonetheless. Fortunately for us, he has abandoned previous attempts at overt seriousness, and reverted to being as funny as ever with his surreal concoction of schoolboy-schoolgirl heroics, camp cowboys and art-aesthetical jokes, and all worked up in idiosyncratic pastiche of the juvenile illustration of the 1930s. It is for us to work out whether the results are art or not.

But what else are we to make of these "Further Blandishments", as he calls them? A "Big Bertha" cannon looms over the landscape. "He was known to take kindly to trespassers" runs the caption. A cowboy comes galloping down the Long Gallery, along with the information that "Hank's tour of the Louvre was usually completed in slightly under 18 minutes." "The night before the big match, Billy liked to put in a little extra practice," by kicking a small ball. Quite where all this will lead him, who can say, but as conceptual art, Baxter's special variety certainly has popular appeal.

It is a recurrent theme that our London view of Scottish painting is arbitrary and limited, but it must also be said that the Mercury Gallery has always done its best to repair the deficiency. David Michie, a long-time regular, now reappears after six years with a strong show as any he has had. Until lately head of painting at the Edinburgh College of Art, he must have seen too many younger, lesser Scottish talents pass on to wider success and recognition, but I doubt that worries him too much. His subject, meanwhile, remains the intimate landscape of garden border and flower-bed, and the more introspective, enclosed world of the garden pond, with its darting ornamental fish, glancing surfaces and



Conceptual art with popular appeal: Glen Baxter's 'Hank's tour of the Louvre' was usually completed in slightly under eighteen minutes' at Thomas Gibson Fine Art

ambiguously redoubled spaces. These he paints with a deceptive fauvist directness and simplicity, and a Matisse-like purity of colour. Yet there is nothing brash nor "see here" about them; but rather a quiet modesty and self-effacement that slowly draws the viewer to them. They are as good as anything being done of their kind.

David Parfitt's present subject is the landscape of Crete and Macedonia, worked on paper, sometimes in oil but mostly in water-colour. There is no greater absurdity in art than the conventional hierarchy of the media that puts oil before water-colour and canvas before paper. It is what the artist does with his chosen and appropriate medium that matters, and here Parfitt shows us large and truly substantial paintings, that are as they are because they are in water-colour.

The handful of oil paintings confirm the point, not by any qualitative distinction but by the simple fact of technical difference - neither better nor worse, but different. Where the one sort is light and shimmering on the surface, the other is dense and opaque, the mood now fresh, now heavier. Parfitt has a particular gift for the description of architecture, not as an exercise in close inspection, but generally and col-

lectively: the cluster of houses set among the trees, the village street at a distance in the sun-lit valley below.

Terry Lee is another painter of landscape, and also of the studio interior and still-life. Here I must declare my interest, for this show came of my suggestion and my support is therefore implicit. He, too, is seen too seldom in London. He is a romantic, idealising the landscape, whether at home in Derbyshire or in Spain. All is apparently straight-forward: flower in pot, bird in cage, artist in studio, landscape at a distance, all properly established in its particular space; yet all is subtle and complex. The spaces shift and alter; the curtains become landscape; the mirror leads into another world.

Stan Smith and Geoffrey Humphries, showing together, afford a strong but sympathetic contrast. Both work from the life-model, but where Humphries stays close to the character and form of the particular model, Smith is more apt to generalise, the light filtering through the blinds to fall in descriptive stripes across the figure. Humphries also shows a number of studies of Venice, not the hackneyed tourist views, but rather the more personal and intimate face of the city in which he has lived and worked for nearly 30 years.

A group of his larger life drawings is featured in the mixed exhibition at Collyer-Bristow, in which Smith also shows. And there is W.H. Patterson's annual Christmas Show, which, like any such exercise, would hardly hope to satisfy every taste, leaving it very much to the visitor to take his pick. The New English Art Club supplies the substantial core, supplemented by invited outsiders. I noticed some small landscapes by Julian Halsby, Victor Willis and Edward Fairfax-Lacey, Susan Ryder's interiors, the large pastel conversation pieces by Tom Coates, and, in particular, the small, authoritative landscapes by Colin Hayes.

William Packer

Glen Baxter: Thomas Gibson Fine Art, 44 Old Bond Street W1, until Jan 22; David Michie: Mercury Gallery, 25 Cork Street W1, (Dec 2); David Parfitt: Michael Simpson, 11 Savile Row W1, (Dec 18); Terry Lee: Wildenstein, 147 New Bond Street W1, (Dec 2); Stan Smith & Geoffrey Humphries: The Tall House, 134 Southwark Street SE1, (Jan 22); Christmas Exhibition: W.H. Patterson, 19 Albemarle Street W1, (Dec 31); Winter Exhibition: Collyer-Bristow, 4 Bedford Row WC1.

Opera in Italy/William Weaver

Troubled 'Don Carlo' at La Scala

Though the performance of Verdi's *Don Carlo* (the Italian, 4-act version) that opened the season of La Scala was not televised, Luciano Pavarotti's cracked note in the second scene hit all the news broadcasts and kindled an indignation of gossip, angry declarations, and from the tenor himself an apology and an admission that he had insufficiently prepared for this new role.

He also promised that there would be no botched notes on the second night. He kept his promise; but he still did not seem in command of the character. He was simply a tenor going through his paces competently, with little feeling or psychological understanding.

"Pavarotti protagonist", the headlines yelled in the preliminary articles puffing the production; but though Carlo has the title role, he is not the protagonist. This is a grand opera whose drama is chiefly private; the excitement lies not in spectacular events so much as in the personal tensions, the alternation of suspicion and trust, condemnation and forgiveness, ardour and renunciation.

Few of these inner conflicts were revealed in the Scala execution, but the fault was not entirely Pavarotti's. As the dreaded "fogionisti", the belovéd galleryites emphasised in their raucous opening-night protests, the casting was peculiar: if Pavarotti is no Carlo, then the otherwise excellent, but somewhat over-the-top, Luciano Pavarotti is a seriously light Elisabetta, and Luciano D'Intino is more a Rossinian

mezzo than a Verdian (her "veil song," however, had a welcome lightness and a gaiety absent in Riccardo Muti's hectic conducting of the scene).

A few years ago, in a Bologna *Don Carlo*, the young baritone Paolo Coni was a revelation as Rodrigo; critics immediately underlined his name in their programmes. Since then, Coni has appeared on both sides of the Atlantic, but sadly, in this short period, the warm, lyric voice has deteriorated: the top notes have become rough and unsteady, pitch is often uncertain, and

graver responsibility. Unlike his usual triumphs, at La Scala and elsewhere, Muti's *Don Carlo* lacked an overall architecture. Needless to say, there were moments of heart-rending emotion (the death of Rodrigo), but much of the time the performance was a patchwork: the fountain scene opened dully, the final tenor-soprano duet was drawn out until it sagged and became shapeless.

Franco Zeffirelli's production, while cluttered and bustling, was also lacklustre. Even the crowd scenes were perfunctory: extras only half-pretended to be an unruly mob of onlookers, were intermittently held back by guards in a cordon with gaps wide enough for an army to pass through; a pair of breech-clad heretics struck choreographed poses, a cramped procession preceded the king's oddly tame coronation appearance (no solemn throwing open of doors, since the producer eliminated the doors, as he eliminated later the tomb of Charles V).

The solo singers were also left to their own devices (comically, the Grand Inquisitor, despite his elaborate show of blindness, managed to descend some steps, unaided, and address much of his music straight at the audience from the footlights. Pavarotti's immobility obviously creates its own set of problems; keeping the other singers usually at a distance from him only underlines the lack of dramatic cohesion in the whole, undistinguished execution.

Blame for the inadequacy of many of the singers was laid squarely at Muti's door

Coni tends now to bluster.

Only Samuel Ramey - La Scala's Filippo - sang with confidence, accuracy and a sense of his part. It is hard to find the youthful, athletic American bass credible as an aged monarch; Ramey was an unusually physical Filippo, and when he grasped Elisabetta in their great confrontation, there was a strong sense of sexual frustration in his rage. This was not an interpretation in the Faero, Rossi Lemeni, Christoff tradition, but it was a three-dimensional creation. And Ramey's was the only really compelling performance.

Blame for the inadequacy of so many of the singers was laid squarely at Muti's door, but the conductor had an even

New York Philharmonic 150th anniversary concert

The New York Philharmonic - the oldest orchestra in the western hemisphere - made its first noise on December 7 1842 when the gloriously named Urell Corelli Hill raised his baton over a group of largely German immigrants to launch them into Beethoven's Fifth Symphony.

Right through this season the Philharmonic is remembering its sesquicentenary, notably with a stream of first performances that has already brought us Messiaen's final pictures of paradise, "Eclairs sur l'au-delà..." But on the anniversary itself we were invited to celebrate the recent past and the present rather than to glimpse the future.

In a hall swagged with gauze and tinsel, all three of the orchestra's surviving music directors were on the podium - in turn, to be sure - to conduct what was necessarily an oddly mixed concert, and one that could not quite hit the notes of festivity determinedly expected of it.

The best playing came at the start in an addition to the scheduled programme, when the orchestra, unaccompanied, turned back with high pride to remember a fourth of its chiefs: Leonard Bernstein. His *Candide* overture went with supreme panache, and if the speed was not quite his dizzying own, the performance was an astonishing feat of ensemble playing, as well as a revel

of opera bouffe fix, fanfare and, in the answering strains of the middle section, expressive ardour in a Jewish mode.

The obvious conclusion was that this orchestra barely needs a conductor. The second conclusion was that Bernstein remains, more than 20 years after he relinquished the post, a tough act to follow. Never mind that Zubin Mehta was - as we were reminded by the chairman, Stephen Stamas - music director for a longer period, having charge of the orchestra from the end of the Boulez regime (1971-7) until the arrival of Kurt Masur last year. Bernstein's association with the Philharmonic covered a full quarter-century, and his legacy - of recordings, of programming policy, of memories - is still potent.

In contrast, it is as if the Boulez years had never been. All his innovations - the commitment to music as intellectual adventure, the "Prospective Encounters" that took the orchestra downtown to play Steve Reich, the "rag concerts" that initiated the informality of the Proms - were abandoned under his successor, and a sense of missed opportunity underlay his performance of *La mer* on this occasion. In its own way it was a rather remarkable turning over of the piece's grim inheritance: a low-string ostinato in the first movement, for instance, remembered Nibelheim. And

the lack of buoyancy in the middle movement was astonishing, given Boulez's admiration, often voiced in word and as in deed, for its allusive continuity.

The Boulez moment of dimmed glory was preceded by Mehta's display of showmanship in *The Rite of Spring* (a nice touch to tuck his hands quickly behind his back so that the players were left to give the last downbeat on their own), and followed by Masur in the "New World" Symphony, one of the oldest jewels in the Philharmonic's crown of commissions. No doubt they have played it better at other times (stratified violin sound in the upper registers remaining a problem, especially in Masur performances), but surely never more forcefully.

Masur's efforts to drive the first movement into sounding like a proper Germanic sonata allegro, with a strenuous first subject and a momentous development, made it seem that Dvorak was falling short in something he never attempted. Everybody got on much better when the energy was less fierce, in the slow movement and, most beautiful of all, the trio of the scherzo, where Masur showed what delicious effects he and his wind players can produce. There at least were the seeds of hope.

Paul Griffiths

German Theatre/Jackie Wullschlager

Key political dramas on the post-war stage

The warnings are strident, unmistakable, and up-to-date. Every one has his price, and anyone, by refusing to face the truth, can let an evil regime like Hitler's spring up under his nose. For nearly 40 years, Friedrich Dürrenmatt's *The Visit* (1956) and Max Frisch's *The Fire Raisers* (1958), have reigned unchallenged as the key political dramas on Germany's post-war stage. Now, in the country's greatest turmoil since the war, they have acquired a new, mythic currency, and are among the most popular modern works in the repertoire. Both are short, devastatingly simple parable plays which bowl you over the first time but hold no later subtleties. I caught two new versions, in Düsseldorf and Berlin, which stand as the best of straight, hard-hitting theatre strong acting, hypnotically intense setting, comic diversity.

In *The Fire Raisers* ("Biedermann und die Brandstifter"), two terrorists infiltrate the home of rich businessman Biedermann and stack petrol in the roof to blow him up and steal petrol ("honest man") pretends not to see what is happening and relies on good-natured civility to keep menace at bay. He invites the fire raisers to dinner, offers nervous friendship, and at last hands them the matches to light the fire.

On a tiny stage in Düsseldorf, Peter Arens plays it as theatre of the absurd

with a bear. Eckart Dux's Biedermann, floppy grey hair, cardigan and specs, is *per excellence* the bourgeois liberal secure at home. "I'm a free man, I can think what I want," he explodes to a suspicious fireman as petrol cans, wires, fuses, proliferate round his gemütlich house.

The fire raisers, Ulrich von Bock a smooth entrepreneur, Claus Stahnke a skinhead in punk gear, are 1990s types who could fit into any race riot recently on German television screens. They are a comic duo - one gives a Nazi salute, the other slaps him down with an apologetic laugh. The ease with which these bores play at civilised living - admiring the Beaujolais while gulping mustard neat from the jar - threatens the core of Biedermann's cosy worldview. Dux and his wife (Margit Essinger), a loving but weak couple, tread with comic genius the line between paranoia and a self-deceiving attempt at normality. When the fire raisers put on a post-prandial performance of *Everyman* she reassures herself by recalling the Salzburg Festival. Then they stand clasped, knowing their doom, as the chorus "Everyman" changes to "Biedermann". For all the absurdity, a lyric finale, recited by a fireman while giant statues of fireman glow all round the auditorium, is almost unbearably moving.

In *The Visit* ("Der Besuch der alten Dame"), the shopkeeper Herr Ill is



Scene from 'The Fire Raisers' in Düsseldorf

Everyman. To his little town of Gullen, a poverty-stricken place with a railway station in central Europe, returns his former lover, now a rich old lady. Years back, he got her pregnant and rejected her. Now she offers his fellow citizens a thousand million marks for their town as the price of his head.

We, and Ill, know that he will die, and in Berlin Eckhard Schall gives a performance at once passionate and measured. His ill, first a frightened wretch who trembles, paces up and down his shop in frenzy shouting, by the end acquires dignity as a tragic hero, resigned and low-spoken. As the creepy old lady, Anneliese Romer becomes less and less dignified, although she too has her moment of poignancy. She tells her roving lover that she has a tomb ready for him at her palace in Capri: "There you will stay. With me."

The Schiller Theatre shoots the fable through with psychological interest, but mostly, with its flair for dramatic design, goes for symbolic staging. Romer is now in a black robe, harbinging of death, now in a white gown, eternal bride. As she endows the town, the grey-green pallor of a bleak sea yields to richer colours. Alfred Kirchner directs at a fierce pace, and throughout the contemporary resonance sounds: is the new united Germany selling ethics for material security? Two evenings as compelling as any in the theatre this year. And if art reflects life, this piece and *The Fire Raisers* show a Germany obsessed with itself, its history and its moral and political future.

The Fire Raisers, Düsseldorf Kammer-spiele. *The Visit*, in rep at the Schiller-spieltheater, Berlin

repeated Dec 20, 26, 27, Jan 1-4 (225754)

PARIS

DANCE

An Opera Ballet production of three Jerome Robbins choreographies can be seen at Palais Garnier tonight, Thurs, Sat, Sun, Dec 23, 26, 27, 29 (4742 5371). The company also presents the Bourmeister production of Swan Lake at the Bastille tomorrow, Fri, Dec 22, 24, 26, 30, 31 (4473 1300). Tonight at Théâtre de la Ville: opening of two-week season by Jean-Claude Gallotta and Groupe Emile Dubois (4274 2277). Dec 27-31 at Théâtre des Champs-Élysées: Dance Theater of Harlem (4720 3637).

OPERA/MUSICALS

Tonight, Sat, Dec 23, 26, 29 at Opera Bastille: Sylvain Cambreling conducts Peter Sellars' production of Messiaen's *Saint Francois d'Assise*, with Jose van Dam and Dawn Upshaw. Thurs and next Mon: Gounod's *Faust* with Gosta Winberg, Kallen Esperian and Pata Burchuladze (4001 1616). Tonight, also Thurs till Mon at Bobigny: Philip Glass/Bob Wilson music theatre work *Einstein on the Beach* (4631 1145). Daily except Mon at Châtelet: Hello Dolly! (4026 2840). Dec 17-31 at Opera Comique: Louis Varney's *Les Mousquetaires au couvent*, starring Gabriel Bacquier (4286 8888).

CONCERTS

Tomorrow, Thurs and Sat at Salle Pleyel: Gunther Herbig conducts

Orchestre de Paris in Beethoven's Eighth and Ninth Symphonies (4563 0796). Thurs at Théâtre des Champs-Élysées: Philippe Herreweghe conducts orchestral music by Rossini, Dussek and Schubert. Next Mon: Rene Jacobs conducts Messiah (4720 3637). Next Mon at Châtelet: Claus Peter Flor conducts Orchestre National de France in works by Weber, Wagner and Schumann (4026 2840).

JAZZ/CABARET

Jazz Club Lionel Hampton Sandra Reaves-Phillips and the All Star Jazz band can be heard from 22.30 to 02.00 daily till Sat. Dec 21-27: Stefan Patry group. Dec 28-Jan 9: Lionel Hampton and his Orchestra (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042).

WASHINGTON

DANCE

There are two different Nutcrackers from which to choose: Mary Day's Washington Ballet production at Warner Theater runs till Dec 27 (202-432 SEAT); Joffrey Ballet's production, created in 1989 by Robert Joffrey and Gerald Arpino, sets the ballet in New England and runs daily till Sun at Kennedy Center Opera House (202-467 4800). Jan 25-27: Twyla Tharp and Mikhail Baryshnikov (202-833 9800).

MUSIC

Tonight at Kennedy Center Concert Hall: Choral Arts Society carol concert. Tomorrow: Chamber Music Society of Lincoln Center plays music by

Dvorak, Mozart and Ledahl. Dec 26 at Eisenhower Theater: Washington Opera season resumes with Don Pasquale (202-467 4600). Thurs and Fri in Baltimore's Joseph Meyerhoff Symphony Hall: Yuri Temirkanov conducts Baltimore Symphony Orchestra in works by Rimsky-Korsakov and Prokofiev. Mon: Vienna Boys Choir (410-783 8000).

THEATRE

● Jesus Christ Superstar: the Andrew Lloyd Webber/Tim Rice rock musical opens tonight, till Jan 10 (Morris Mechanic Theater, 410-825 1406).
● Harriet Tom Hulce in the title role of Shakespeare's play. Till Jan 10 (Shakespeare Theater at the Lansburgh, 202-393 2700).
● The African Company: Carlyle Brown's play about a group of African American actors in New York who put on Richard III. In repertory till March 28 with Blood Knot by Athol Fugard (Arena Stage, 202-488 4377).

ZURICH

Opernhaus The main event this week is the premiere on Sat of Jonathan Miller's new production of Schreker's *Die Gezeichneten*, conducted by Elisha Inbal. There are also performances of Nutcracker on Thurs and Fri, and Carmen on Sat with Marjána Lipovsek (262 0898). Tonhalle David Zinman conducts Tonhalle Orchestra tonight, tomorrow, Thurs and Fri in works by Dvorak, Bruch and Tchaikovsky, with violin soloist Gil Shaham (206 3434).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN 2000-2300, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel 0700-0710, 1200-1240, 2230-2340 FT Business Daily 0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly - global business report with James Ballin 0710-0730, 1240-1300 (Wed) FT Media Europe 0710-0730, 1240-1300 (Fri) FT Eastern Europe Report 2240-2248 FT Report

Sky News 2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN 0600-0630, 1900-1930 World Business This Week - a joint FT/CNN production

Super Channel 0630-0600 FT Business Weekly

Sky News 1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN 1030-1100, 1900-1930 World Business This Week

Super Channel 1900-1930 FT Business Weekly

Sky News 0330-0350, 0530-0600 FT Media Europe 1230-1400, 2030-2100 FT Business Weekly



AMSTERDAM

CONCERTS Concertgebouw Tonight in main hall: Rene Jacobs conducts Monteverdi's *Vespers*. Tonight in Kleine Zaal: Marjana Lipovsek song recital. Tomorrow, Thurs, Sun afternoon: Wolfgang Sawallisch conducts Royal Concertgebouw Orchestra in Beethoven's Eighth and Ninth Symphonies.

Fri: Bernard Haitink conducts Rotterdam Philharmonic Orchestra in works by Stravinsky and Tchaikovsky. Sat afternoon: Valery Gergiev conducts Radio Philharmonic Orchestra. Sun evening: Bach's Christmas Oratorio (6718 345).

OPERA/DANCE

Muziektheater Pierre Audi's new Netherlands Opera production of *La Bohème*, conducted by Hartmut Haenchen, can be seen tonight, Fri, next Mon, also Dec 23, 26, 29. Tomorrow, Thurs, Sat, Sun afternoon (plus seven further

performances till Dec 30): Dutch National Ballet's Stravinsky programme, including choreographies by Balanchine and Nijinska (6255 455).

BRUSSELS

Palais des Beaux Arts 20.00 Talich Quartet, with Josef Suk, plays chamber music by Mozart, Janacek and Brahms. Thurs: Jose van Dam sings Winterreise. Next Mon: Sylvie Trasy piano recital. Next Tues: Belgian National Orchestra plays Mozart. Dec 31: Beethoven's Ninth Symphony (507 8200).
Musical 19.00 Heinrich Schiff conducts Karl-Ernst Ursel Herberman's production of *Die Zauberflöte*, repeated Dec 18, 20, 22, 25, 27, 29 (219 6341). Dec 22-31 in Théâtre National: Opera de Lyon production of Ravel's *L'enfant et les sortilèges* (217 0303).

CHICAGO

CHICAGO SYMPHONY This is the final week of Pierre Boulez's month-long residency at Orchestra Hall. In tonight's programme, Boulez conducts Bartok's *Four Pieces*, Prokofiev's Fifth Piano Concerto and Stravinsky's complete *Firebird*. Thurs, Fri, Sat all-Stravinsky programme, including *The Rite of Spring* (455 6668).
CHICAGO LYRIC OPERA This month's repertory at Civic Opera House consists of *Un ballo in maschera* and *La Bohème*. The Puccini (tonight, Fri, Sun afternoon and Dec 30) has a cast

led by Lucia Mazzaria and Giuseppe Sabbatini. The Verdi (final performances tomorrow and Sat) features Sharon Sweet, Kristian Johansson and Vladimir Chernov (332 2244).

MUNICH

Prinzregententheater 20.00 Georges Pretre conducts Bavarian State Orchestra in works by Dvorak, Bizet and Ravel. Thurs, Sat and next Tues: Fabio Luisi conducts members of the Bavarian State Opera in extracts from Rossini operas. Dec 20, 23, 26, 27, 28: concert performances of Hansel and Gretel. Dec 25 and 28: Carmen (221318).
Philharmonie 20.00 Cristian Mandeal conducts Munich Philharmonic Orchestra in works by Weber, Bruch and Schoenberg, with violin soloist Viktor Tretjakov, repeated tomorrow (48098 614). Thurs and Fri: Lorin Maazel conducts Bavarian Radio Symphony Orchestra in works by Rossini, Prokofiev and Mahler (558080).
Sun: Bach's Christmas Oratorio (299901).
Gartnerplatztheater Tonight: Wagner's *Die Feen*. Tomorrow and Thurs: Hansel and Gretel. Fri: Nutcracker. Sat: Khovanshchina (201 5767).
Herkulessaal Tonight: Anatol Ugorski piano recital (299901).
Residenztheater A new production of Shakespeare's *Romeo and Juliet* opens on Sat,

FINANCIAL TIMES

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Tuesday December 15 1992

Departure of a reformer

AT THEIR Edinburgh summit, the European Community's heads of government announced "strong support" for Mr Boris Yeltsin's attempt to bring economic reform to Russia. The Congress of People's Deputies does not share the west's enthusiasm. But that enthusiasm was rhetorical. If the opportunity to bring about comprehensive reform has disappeared, the west bears a substantial part of the blame.

Mr Gaidar's loss is a serious, perhaps terminal, blow for Mr Yeltsin's reforms. The new prime minister, Mr Viktor Chernomyrdin, is an apparition brought into the government when Mr Yeltsin was trying to broaden support earlier this year. As gas minister under Mr Mikhail Gorbachev, Mr Chernomyrdin is associated with the failures of the last Soviet regime. Nothing suggests he understands how to transform Russia into a working, let alone a successful, market economy.

Nonetheless, this black cloud has a silver lining. Mr Gaidar's dilemma has been how long to remain in a government that was being diverted ever further from reform. The advantage of staying was his influence upon policy. The disadvantage was the way reform was being blamed for its opposite. Printing hundreds of millions in aid of the old industrial dinosaurs is not reform. It is just another version of the *ancien régime*.

Mr Gaidar's dilemma has been resolved, but not Mr Yeltsin's. He must now decide whether to oppose this government. Instead of being associated with its blunders, he could blame the unpalatable results upon the conservative elements that have foisted it upon him. Any distance he can put between himself and what is likely to become an increasingly unpopular government should also strengthen his campaign for constitutional reform.

This would be a risky path for Mr Yeltsin. With luck it will be unnecessary. Maybe Mr Chernomyrdin and his colleagues will recognise - as has Mr Leonid Kuchma in Ukraine - that radical reform is the only alternative. If so, Mr Yeltsin could support the government with a good conscience. Hitherto, Mr Gaidar has been the standard-bearer for reform. If his policies come to be seen as the logical response to circumstances rather than as personal whims, then the legitimacy of reform might itself grow.

Nevertheless, Mr Gaidar's departure does mark the end of the first attempt at transformation of the Russian economy. For the inability of Mr Yeltsin to carry through coherent reform, the west bears some responsibility. In Russia's distorted economy, any reform was bound to create a legion of powerful losers. A part of the solution was political reform. The other part was greater foreign assistance. As Professor Jeffrey Sachs, a senior adviser to the government, has argued, the lack of such assistance "has made Boris Yeltsin's task vastly more arduous and strengthened the hands of the hardliners".

The west has watched Russia's first serious reform government drown. Should the opportunity recur, it must not fall again.

Health reforms

THE UK National Health Service appears to be returning to old ways 18 months after the government launched its far-reaching health service reforms. Ward closures and lengthening waiting lists for operations are again threatened as hospitals run out of money before the end of the financial year. It appears that little has changed since 1987 when a similar crisis led the government to create an internal market in the NHS.

In one sense, this is hardly surprising: an important cause of the 1987 NHS crisis was the shortage of funds, a condition the reforms did nothing to cure. Instead, the internal market converted district health authorities into purchasers of health care, free to shop around among competing providers such as hospitals and community health organisations. The aim was to ensure that the available funds would be spent more efficiently. But the internal market did not, of itself, generate new funds.

In practice, generous funding was agreed in successive years, to ease the passage of the politically controversial changes. Ministers warmly welcomed the improvements in health care which followed and credited them to the reforms. Now, with much less generous settlements for the next three years, they must face the down side of the internal market.

The first is that a real market system must produce losers as well as winners, as those who are less efficient go to the wall. In London, the losers are likely to be the world-famous hospitals recom-

mended for closure or merger in the Tomlinson report. With doubts over the figures behind some of Tomlinson's recommendations, Mrs Virginia Bottomley, the health secretary, will need skill and resolution to eliminate excess capacity in London.

A second problem is that while providers now vie for business, the district health authorities which act as purchasers on behalf of most people are largely immune to market forces. The only competition comes from a minority of family doctors who are fund-holders, directly purchasing health care for their patients in the internal market. They have been a dynamic force, producing significant efficiency savings while improving the quality of care for their patients. Fund-holding should be extended, with smaller practices grouped to make viable purchasing units.

Finally, there are few incentives to reward providers whose efficiency in treating patients leads them to fulfil their contracts and so run out of work before the end of the year. Where it can be demonstrated that greater efficiency rather than the quality and cost of their services has led to such problems, additional funds should be made available. That will be difficult next year when the real growth in the health service budget is unlikely to be more than 1 per cent. The government will remain under pressure to lubricate with more cash the incomplete process of creating a working market in health care.

fact that they are taking place in the language of a political vacuum. The US-sponsored peace process launched in Madrid more than a year ago has yet to show tangible progress. In particular the Palestinian negotiators are showing increasing frustration with what they have thus far been offered: an interim, strictly limited arrangement for self-rule in the Israeli-occupied West Bank and Gaza Strip pending talks on a final settlement after three years.

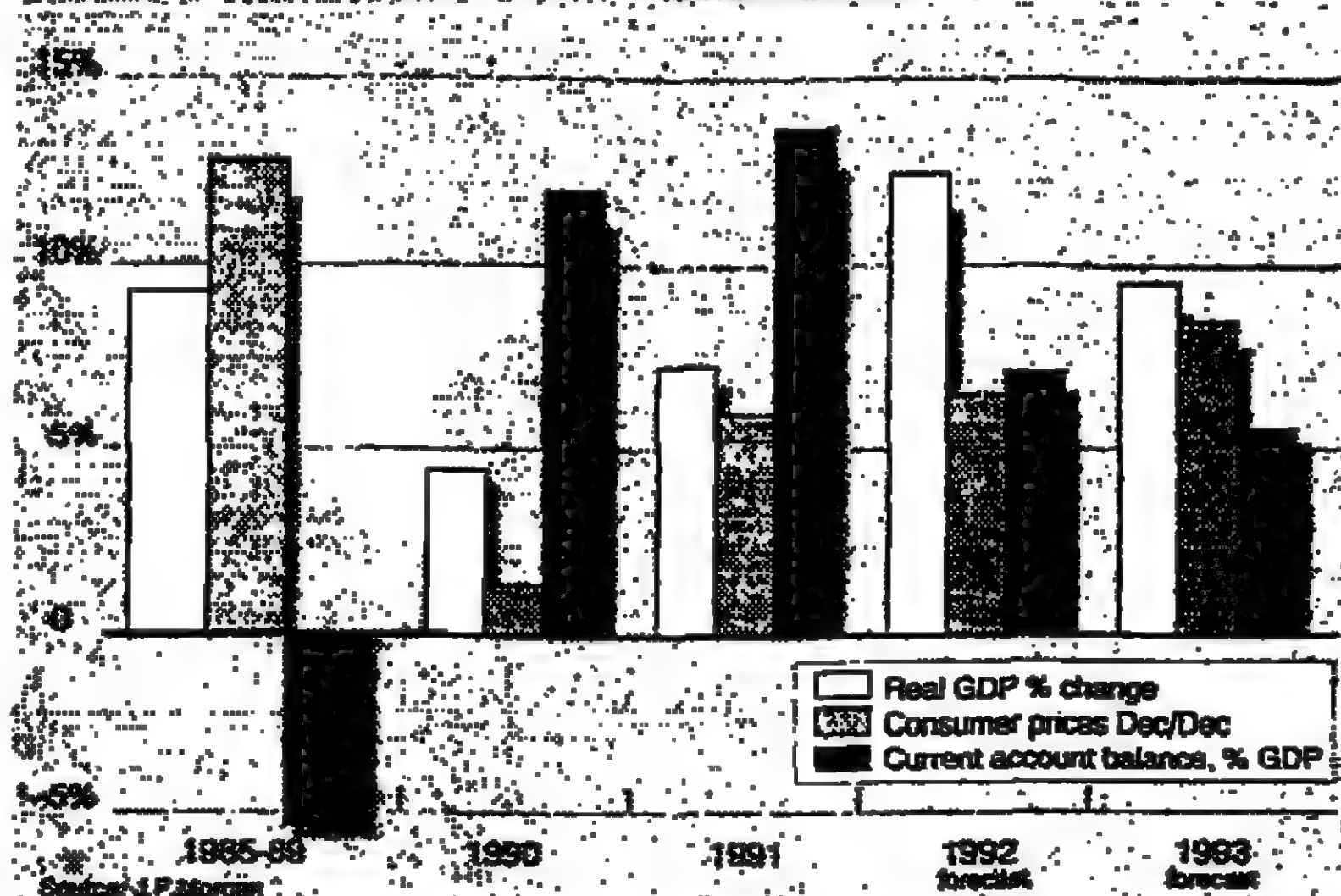
It makes for a political climate in the territories in which violence could easily obtain a momentum of its own, and lead to a further hardening of attitudes on both sides. Mr Rabin will need to show diplomatic skill as well as toughness if the kidnapping affair is not to escalate.

Most important, however, is the need to inject fresh momentum into the Washington negotiations. Israel, whose initial proposals on Palestinian autonomy were unacceptable, must be urged to improve its offer. The Palestinians must then be pressed to proceed with local elections, and convinced that they cannot expect to exact further concessions through violence or external pressure. The other Arab negotiating parties must be kept at the table.

There is only one player that can do all these things: the country that launched the process. Add the Middle East to the list of foreign problems that will confront President-elect Bill Clinton immediately after inauguration day.

Washington can no longer be taken

China: open door for investment



A profitable homecoming

FT writers examine the contribution of Chinese entrepreneurs to the wave of investment in their ancestral birthplace

Mr Kitti Dumnernchanwanit, president of a Thai industrial conglomerate, last month agreed on a \$1bn forestry, pulp and paper project in China's Guangdong province. The deal, part of the wave of foreign investment that has swept into China recently, underlines the leading role that ethnic Chinese from throughout south-east Asia are playing in the country's economic boom.

"I am a Chinese, but was born in Thailand," Mr Kitti says. "I always realise that for a human being it is a must to bring progress and prosperity to his country of origin."

From the launch of China's "open door" reforms in 1979 until the end of last year, \$56bn of foreign investment has poured into the country; \$12bn was invested in 1991 alone, nearly double the amount of each of the previous three years, according to official Chinese figures. The acceleration is likely to have continued this year as a result of a new push by Beijing for growth.

Determining the origin of investments is difficult because most of it is done through companies in Hong Kong. A large part is coming from Hong Kong Chinese and Taiwanese investors - communities that naturally regard China as their homeland. But significant amounts are also coming from the rapidly growing economies of south-east Asia.

Though its scale is difficult to quantify, there are plenty of investment examples. Indonesia's Salim group, run by Mr Liem Sioe Liong, is involved in many projects in China, including water treatment and power plants to supply industrial estates and towns. Lippo group, another Indonesian conglomerate, has investment proposals through its Hong Kong arm totalling \$1bn, including a deep water port in Fujian province.

Bangkok Bank, Thailand's largest bank, founded by the ethnic Chinese Sophonpanich family, has opened a branch in Shanghai which will process inward remittances from ethnic Chinese in south-east Asia. Investments of the Charoen Pokphand group, the biggest Thai investor in China, include animal feed mills, chicken farms, a motorcycle factory and a brewery.

Mr Robert Kuok, a Malaysian Chinese tycoon, is a partner in the Beijing World Trade Centre, an office, conference and hotel complex which is the country's largest commercial property project. His Shangri-La hotels are in several Chinese

cities, and he is investing in other projects, including one in his ancestral city of Fuzhou in the south. For the ethnic Chinese in south-east Asia, there are cultural as well as business reasons for investing in their homeland. Many have only loose connections with China, their forebears having migrated generations ago. However, emotional attachments are strong and knowledge of Chinese dialects remains widespread. "For us to move to China is quite easy because of the language, and we all have the Chinese mentality," says Mr Prasong Panichpakdee, managing director of Thailand's Sompang Land Development, which is building condominiums in China.

Throughout south-east Asia, ethnic Chinese are the main entrepreneurs and dominate business activity in most countries. Their investment is vital for continuing growth. Consequently, a significant diversion of funds to China could have economic and political repercussions in the region.

A Singapore-based investment analyst says: "The governments in this region have not yet woken up

to the volume of investment now going to China - it could mean precious investment funds draining away from the region. That would only cause more anti-Chinese resentment, especially in Indonesia and Malaysia." Indeed, many overseas Chinese feel discriminated against in their home countries, despite their economic power. In Malaysia, where they make up about 30 per cent of the population, they face officially sanctioned discrimination in areas ranging from allocation of equity issues to quotas on educational opportunities.

Since 1971, partly in response to anti-Chinese riots and concern about Chinese control of the economy, the policy of the Malay-dominated government has emphasised discrimination in favour of Malays. The aim was to increase their participation in the economy and prevent racial conflict. According to official figures, Malays now control more than 20 per cent of corporate equity. Though race relations have mostly been calm, Malays still resent the economic power of the Chinese, who dislike being treated as second-class citizens.

In Singapore, where most people are ethnic Chinese, the government has reversed policy and is now encouraging investment in China. Singapore's economy, along with the economies of Hong Kong, Taiwan and South Korea, has reached the stage where it is targeting high-technology industry for domestic growth, with lower-level manufacturing being farmed out to cheap labour countries such as China and Vietnam.

In Thailand, where the overwhelming majority of companies large enough to contemplate foreign investment are controlled by ethnic Chinese families, the wave of investment in China is not controversial. There is enough capital available for investment in Thailand, and no one has publicly expressed fears that investment into China will hinder development.

The situation in Indonesia, however, is more delicate. The Chinese community makes up about 4 per cent of the 183m population and dominates the economy. Ethnic Chinese control most conglomerates and large private banks.

Diplomats say that Indonesia is quietly putting pressure on its Chinese community not to take money abroad. Many businessmen believe it is fighting an uphill battle. A non-Chinese executive of Bimantara Group, a conglomerate headed by a son of President Suharto, says: "I think the Chinese are tired [of Indonesia]. They will keep their investments here, but profits will go to China. The Chinese are going back to China."

Mr Adrianus Mooy, governor of the central bank, says: "It's not expected of them to be short-sighted and only to look at the opportunities in Indonesia." Low wages and a large internal market, he says, will allow Indonesia to remain competitive with southern China.

Ethnic Chinese businessmen in Indonesia insist that investments in China are made on the basis of financial pragmatism rather than emotion. China, they say, simply offers better returns than elsewhere. Mr Sofjan Wamsud, chairman of Gemala Group, says conglomerates need to diversify. "They are big already in Indonesia and want to broaden their base." He says finance for expansion into China is coming mostly from outside Indonesia because of local high lending rates.

"There is growth available for everybody," says Mr Gus Nilo, managing director of Sinar Mas, an Indonesian conglomerate with substantial investments in China. "It's a question of what industry will grow in what country."

The profit motive is clearly the primary force driving south-east Asia's Chinese back to China. The homeland offers a huge market with low land and labour costs, with the prospect of fast growth in domestic sales and exports. Many businessmen return to their ancestral villages because they have connections with local people. Family connections help - relatives may know local government and Communist party officials, and may be officials themselves. Good contacts mean good business.

Business, however, may not be the only motive. Mr Wang Sui-hin, professor of sociology at Hong Kong University, says: "They are returning home in an ultimate sense. Among the overseas Chinese there is a strong sense of ancestral roots. They want the status that comes with the recognition conferred on them by their birthplace, or the birthplace of their ancestors."

Reporting by Kieran Cooke, Simon Holberton, William Keeling, Victor Mallet and Alexander Nicoll

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A Singapore-based investment analyst says Mr Liem's project is an example of "the Singapore Inc. approach" - each rich government company linking up with well-connected private interests to exploit an opportunity.

Mr Liem will hold a 40 per cent share in a company which will plan and manage the Fujian enterprise. Other companies connected with Mr Liem will have an additional 30 per cent stake, while the two Singaporean companies, Singapore Technologies and Jurong Environmental Engineering, will each have a 10 per cent share.

The project involves turning a 5,000-hectare area into a commercial, industrial and residential complex. Port and other infrastructure facilities will also be built. The aim is to attract light and medium-sized industries from Taiwan, Singapore, Hong Kong and Japan.

The complex is designed to be a low-cost export manufacturing base which will act as a springboard for further trade and investments in China. It is close to Taiwan, which is also investing heavily in Fujian. But the project could cause regional ripples. "There are many people in Indonesia who feel that Liem, having made his money there, should not be investing his money in China. Allowing our [Singapore] state companies to get involved in such high-profile projects could cause problems in our future relations with Indonesia," says a Singapore-based analyst.

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Joe Rogaly

Need for friendly giant



Two years of buttering up Chancellor Helmut Kohl paid dividends for Mr John Major at the weekend. Now he must labour mightily, and perhaps for as long, to achieve a good personal rapport with Mr Bill Clinton. The prime minister is surely aware of this. His aim must be to establish as profitable a working relationship with Washington as the one he has with Bonn. A medium-sized nation such as Britain needs the friendship of both giants, one for its economic influence within Europe, the other because it is the only superpower.

Mr Major worked hard for success at the European summit in Edinburgh. His well-known negotiating skills were effectively deployed. His attention to detail and his mastery of a complicated brief have been rightly praised. Yet without German support all that effort might have been in vain. One day - no one can tell when - the prime minister will need US understanding as badly as he required that of Germany on Friday and Saturday.

Until now it has usually been possible to count on an amiable President George Bush. That helped Number 10 Downing Street play an important part in salvaging the Gatt negotiations just a few weeks ago. Mr Major spoke as president of the European Council, but his voice was that of a dependable ally. When former President Ronald Reagan and Lady Thatcher were both in office, the link was telepathic. When Mr Major wishes to talk to Mr Bush, the Oval Room, like Mr Kohl's office, is only a telephone call away. The arrival in the White House next month of a completely new man - a favourite of the 1980s generation and a Democrat - puts a question mark over all that. Washington can no longer be taken

for granted. Mr Major must earn Mr Clinton's trust.

The courtship will not be easy, or quick. It starts with an embarrassed shuffling of feet as memories of the role played by the Conservative party in Mr Bush's campaign (and Labour in Mr Clinton's) are allowed to fade. This is good dirty fun, but it is not the essence of the matter. Mr Clinton sought out Sir Robin Rickard, the British ambassador, at a glittering party thrown by Mrs Kay Graham in Washington last week. Perhaps this was a pay-off for half a year of persistent, and characteristic, precautionary burrowing into the Democratic camp undertaken by the ambassador and his staff. The president-elect assured Sir Robin that no insult was intended by his inability to find time to see Mr Major when he visits the US later this week.

Surely not, but Mr Clinton's diary

Mr Major's priority has been western Europe. I trust that 'America' is on page one of his 1993 diary

is a reminder that his priority is management of the domestic economy. A page on which to write the word "Britain" has not yet been found. Mr Major's priority is his policy for western Europe. I trust that, for him, the word "America" is on page one of 1993.

The shift of emphasis in both Washington and London away from the transatlantic link makes the re-establishment of a strong relationship difficult. This loosening of ties was bound to happen. The cold war is over. Before the Berlin Wall came down, western diplomats and military planners could tell themselves that they were all working within the same global framework. That

sense of grand strategy has gone. Officials around Lady Thatcher and President Reagan could hum the same tunes because they thought alike. There is no such natural harmony today. There will be even less after January 20, when the new president takes over.

Some old hands argue that Mr Clinton will soon see the need for a practical alliance with Britain. The United Kingdom is a nuclear power, a permanent member of the Security Council, a potentially useful provider of military bases, a brother in the intelligence family. New international crises will present themselves. Russian policy cannot be foretold. President Saddam Hussein is still in control of Iraq. The politics of trade negotiations is continuous. The war in former Yugoslavia is exploding right now.

The new president will have to decide how to handle such matters - when he eventually gets around to foreign policy. His natural instinct may be to deal with western Europe as a region and the EC as its local organisation. Against that must be set growing US irritation at the Europeans' failure to respond to the needs of Bosnia. I would also be irritated, were I an American, by the knee-jerk anti-Yankee response to the intervention in Somalia. President Bush's motives may be impure, but tell that to a starving child.

What Mr Major has to do first is ascertain just how responsive he calls the new Uncle Sam is going to be. Europeans in general, and the French in particular, like to proclaim the EC as an alternative superpower, not by and large, fall into this trap. They know where the centre of military power lies, and seek to work with it. This ancient process may not be so simple with Mr Clinton in the White House.

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- the Paying and Conversion Agency Agreement dated 24th August 1987 outlining the terms for administration of the 7 1/2% Asahi Bonds issued by The Kyowa Bank, Ltd. (now The Asahi Bank, Ltd.).

We hereby give notice pursuant to Deeds of Assignment dated 25th and 28th September 1992 made between Kyowa Finance (Hong Kong) Limited in its capacity as Paying and Conversion Agent and Paying Agent and Warrant Agent under the above Agreements has assigned all its right, title, benefit and interest therein to Asahi Finance (Hong Kong) Limited and Asahi Finance (Hong Kong) Limited has undertaken to assume, perform and observe all of the obligations of Kyowa Finance (Hong Kong) Limited under the above Agreements.

The above assignments were undertaken as part of the restructuring of the Hong Kong operations of The Asahi Bank, Ltd. They follow the merger of The Kyowa Bank, Ltd with The Saitama Bank, Ltd to establish The Kyowa Saitama Bank, Ltd and its subsequent change of name to The Asahi Bank, Ltd.

For further information in relation to the assignments, please contact Asahi Finance (Hong Kong) Limited at Level 32, One Pacific Place, 88 Queensway, Hong Kong (tel: (852) 522 0500; fax: (852) 586 6933).

KYOWA FINANCE (HONG KONG) LIMITED
ASAHI FINANCE (HONG KONG) LIMITED

18th December 1992

The increasing use of anti-dumping actions could undermine the benefits of successful trade negotiations, says David Dodwell

Protectionist wolf in sheep's clothing

After years of tortuous negotiations, the prospect of a successful completion of the Uruguay Round of world trade talks has raised hopes of substantial gains in international commerce. But trade experts have become increasingly concerned that anti-dumping actions could undermine the benefits of an agreement.

Such concerns are based on fears that increasing use of anti-dumping actions - duties and fines against alleged sales of products at below-cost prices - represents a creeping protectionism which is raising new barriers to trade. At present, dumping is dealt with under a special code in the General Agreement on Tariffs and Trade, which calls for complaints to report dumping actions, and deals with disputes arising when exporters challenge a dumping duty. Countries which have been frequent victims of dumping actions, such as Japan, have become increasingly anxious for international curbs on what they regard as harassment by the EC and the US.

Evidence of the growing protectionism behind anti-dumping actions comes in a forthcoming study by the World Bank. According to the report, average tariffs in the entire US manufacturing sector would be 20 per cent today - compared with a nominal level of 6 per cent - if they were adjusted to account for the cost of dumping duties on imported steel, textiles and cars, the industries most affected.

"We appear through dumping actions to have rolled back about half of the gains of the 45-year Gatt process," says Mr Michael Finger at the World Bank. When the Gatt was set up in 1947, tariffs averaged between 40 and 50 per cent.

"Anti-dumping actions are Smoot-Hawley in slow motion," a leading Washington trade lawyer said last week, referring to the controversial protectionist law passed in the US in 1930, which played a critical part in fomenting a tit-for-tat trade war that took the world into the Great Depression.

The current fears result from a proliferation of anti-dumping measures. The decision earlier this month by the US to impose punitive fines on steel imports from the European Community, and the EC's own imposition of punitive duties on eastern European steel exporters, are the latest incidents in an accelerating trend. The number of anti-dumping actions in international markets has risen from 96 in the year to June 1990 to 237 in the year to June.

The number of countries

Anti-dumping: creeping protectionism

Anti-dumping and countervailing duty cases	Jan 80	Jan 81	Jan 82	Jan 83	Jan 84	Jan 85	Jan 86	Jan 87	Jan 88	Jan 89	Jan 90	Jan 91	Jan 92
Australia	36	61	54	71	70	63	54	40	20	19	23	46	78
Canada	26	48	34	34	26	35	27	24	20	14	15	12	16
EC	17	37	39	28	33	34	23	17	30	23	15	15	23
US	37	24	57	19	46	61	63	41	31	25	24	52	62
Other developed countries	1	3	2	0	1	0	2	5	9	12	5	9	21
Developing countries	0	0	0	0	0	0	3	4	13	14	14	41	39
Total	117	173	184	222	206	196	173	144	122	113	106	175	232

Source: Gatt

using the measures is also rising. Australia overtook the US last year as the biggest user of anti-dumping actions, while Mexico for the first time launched more actions than the EC. Developing countries have now brought a total of 162 actions, all of them since 1985.

At the same time, the range of products affected by anti-dumping duties has grown. In the EC alone products affected range from ethanol, cement and aspirin to computers, forklift trucks and flowers.

Expansion of these measures is partly the result of the reduction in tariff barriers. In the US and Europe, industries ranging from cars to electronics have found it steadily

always follow the markets. But in a global economy full of distortions, they are the only recourse industry has," argues Mr Sean Mackle of the Chemical Industries Association.

But the ways in which governments determine what constitutes dumping generally stack the cards against exporters and are open to abuse.

When the US Commerce Department investigates a charge of dumping, it uses an arbitrary profit margin of 8 per cent to determine whether the price of the exporter's products is "fair". This margin is set despite the fact that profits before income taxes for all US companies average 6 per cent, according to calculations by

done its defence against claims it was dumping telephone systems in the US when officials demanded on a Friday afternoon that it translate 3,000 pages of Japanese financial documents into English for presentation to investigators by the following Monday.

For exporters to Europe, EC actions may appear equally capricious, though fewer than a quarter of investigations over the past decade have resulted in duties being charged.

Instead, the EC appears to prefer "voluntary" restraint agreements by exporters. More than half of all cases have led to "special undertakings" under which importers agree to raise prices. Many of the others are referred to as "investigations which have been terminated for other reasons". This usually means that informal import restrictions were agreed.

Nor is there any effort in Brussels or Washington to discover whether "dumping" is helpful or damaging. As a recent IMF report complains, it is often "not low prices abroad, but high prices at home, that should be objected to".

US steel users have been quick to protest that the duties announced this month, which range as high as 56 per cent, will raise their costs and damage their competitiveness.

Britain's National Consumer Council has calculated that in consumer electronics alone, the cost to EC consumers of Community anti-dumping measures is £1.17bn a year.

The draft Uruguay Round agreement is intended to spur anti-dumping reform, but economists say the text is largely copied from existing US and EC law - the text that provides a framework for abuse. Without further toughening of anti-dumping law, any trade gains might prove illusory.

'Anti-dumping policy in the European Community seems now to be used covertly as industrial policy'

harder to compete against foreign manufacturers as tariff walls have fallen. Recession has exacerbated the effects of foreign competition, fuelling calls for protection from imports. The previous recession, of 1982-84, also prompted a rise in anti-dumping activity; the costs of such action still weigh heavily on several industries, notably chemicals.

Mr Michael Davern, a former European Commission economist, believes governments also use anti-dumping actions as a means of promoting certain industries. "Anti-dumping policy in the EC seems now to be used covertly as industrial policy," he says. Supporters of anti-dumping actions from within industry and government argue that the measures are necessary to prevent unfair market practices. "Anti-dumping actions are a blunt instrument, and don't

the International Trade Commission in the US.

In 1989, the Court of International Trade in the US complained that the Department of Commerce's methods of comparing prices results in a "loss of reasonable fairness". All but 8 per cent of the department's investigations result in a finding of dumping - penalising more than 3,000 foreign companies since 1980.

Controversial findings abound. China has been found guilty of dumping manhole covers after a comparison with production prices in Belgium, Canada, France and Japan unsurprisingly showed the Chinese products were cheaper.

Hong Kong, a transparent and highly competitive economy, has been charged with dumping sweaters and photograph albums.

In 1989, electronics group Matsushita of Japan aban-

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Post Office already in banking

From Mr Lewis Evans.

Sir, Your interesting article on the possible privatisation of Britain's Post Office ("Return to sender - cost unknown", December 10) was generally a balanced and stimulating feature on this difficult issue.

I was particularly interested in the comment that the Post Office might be in a better position to fulfil its obligation to maintain a national network "if it were permitted to undertake banking transactions".

I should point out, of course, that Girobank, as I am sure you are aware, provides a wide range of banking services for personal and corporate customers through the Post Office network.

Girobank has well over 1m personal account holders and handles more than £50bn a year through its cash handling service for corporate customers.

Perhaps you may recall that Girobank plc was privatised from the Post Office in July 1990 and is now a wholly-owned subsidiary of the Alliance & Leicester Building Society.

Lewis Evans,

Managing director,

Girobank,

49 Park Lane,

London W1Y 4BQ

Japanese report sets example for Russian economic reform

From Sir Arthur Knight.

Sir, In his Personal View (December 10) on the Russian economy, John Odling-Smee makes no reference to measures of the kind proposed by Japan's Ministry of International Trade and Industry in a document delivered to Moscow earlier this year ("Economic Notebook: A Japanese lesson for all", July 20). These draw upon Japanese experiences in the post-1946 period to make suggestions about economic reform in Russia.

The MITI document refers to an International Monetary Fund memorandum of February 27 about measures the Russian government has to take by the end of this year. It accepts those measures as necessary for macroeconomic stabilisation (specifically mentioning an essential move towards price liberalisation "which no other policy measure should be allowed to impede") but doubts that those measures alone are enough to revitalise production.

The foregoing is a brief extract from advice which derives from the Japanese experience in managing a successful economic performance. It would be helpful to understanding the policy-making scene to know whether the Russians are being encouraged to see the Japanese advice as a potentially constructive contribution to their planning.

Arthur Knight,
Charlton End,
Chichester,
West Sussex PO18 0HCX

about five years. It argues that market mechanisms alone will not work; some government intervention is inevitable; to diversify investment would be the worst policy; a focus is needed on specific sectors. It proposes a "Russian-type new priority production system" with priority to the oil industry which would involve price, quota and export tax arrangements.

Such arrangements, the document claims, could have beneficial effects on the costs of other important industries, provide a significant source of foreign currency for industrial modernisation, and impart a stabilising fiscal influence.

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Arthur Knight,
Charlton End,
Chichester,
West Sussex PO18 0HCX

A racing certainty

From Mr John Scrutton.

Sir, Breeding is the basis of the racing industry; why should it not work for the banking industry? (Observer, "Hot seat", December 11). Incidentally, Andrew Buxton may step into the chairman's shoes at Barclays, but hardly "step into his seat".

John Scrutton,
Hatch Cottage,
Godden Green, Kent TN15 9JR

Narrowing a market spread

From Mr Andrew McHattie.

Sir, Dr Robinson (Letters, December 11) is not alone in bemoaning the punitive spreads quoted by market-makers for UK equity warrants.

However, there are two simple steps which may be taken to ameliorate the apparent difficulties. First, find a good stockbroker with established relationships in the market. Often it is possible to deal at a price inside the quoted spread, which is frequently no more than a starting point for negotiation. Second, restrict dealings to leading issues where quoted spreads are 2 to 3 per cent.

Andrew McHattie,
publisher, Warrants Alert,
Nailsea, Bristol BS19 2EP

Monarchy: political dimensions of a show that will run and run

From Mr Brian H Gill.

Sir, David Cannadine's gall-flavoured colonial view of our "anachronistic relic" (his words) of a monarchy ("The royal dilemma that won't go away", December 12) may very well be grist to the mills of those of your readers who suffer from some ill-defined nightmare of a monarchial "democratic deficit" in this country.

While it is indeed true that our politicians use the crown as a cloak for their generally incompetent and nefarious doings, it is even more true that the monarch protects us from the ultimate indignity of a politician as head of state (given that we would hardly be so fortunate as to find another Richard von Weizsäcker here).

The monarchy also ensures that there is someone of commonsense and sanity to take over in the event, hardly conceivable these days, of the politicians finally becoming so incompetent that they cannot keep the "ship of state" afloat any longer, bail as they might.

Brian H Gill,
261 Grove Street,
London SE8 3PZ

From Ms Caroline Walcott.

Sir, How very extraordinary of the Financial Times, normally a solid and worthy purveyor of information, to give half a page to a wholly spiteful article written by an outsider on a subject which, though constitutionally tricky, was inevitably

table. Why pontificate at all? The FT would be wiser to stick to its own (superior) staff writers with their sensible tongue-in-cheek views, and to consider this: regular FT readers who would tend to avoid reading tabloid nonsense would have had their senses jarred by such a silly and unnecessary article.

A brief mention in the Observer column would have done it.

Caroline Walcott,
285 chaussée de Drogenbos,
1620 Drogenbos (Brussels),
Belgium

From Prof Richard Rose.

Sir, David Cannadine's article about the Royal dilemma rightly stressed constitutional implications, but was incomplete.

Every country, including Britain, needs a head of state. Does anyone seriously expect a Conservative prime minister to recommend the replacement of the monarchy by a president? Or can anyone imagine John Smith as prime minister putting such a proposal to the Commons?

Notwithstanding all the family problems, this show will run and run.

Richard Rose,
director,
Centre for Study of Public Policy,
University of Strathclyde,
Livingstone Tower,
25 Richmond Street,
Glasgow G1 1XH

Saab sucks it to 'em

Tossing modesty to the winds, Swedish car maker Saab is claiming that its latest cars are so environmentally "correct" that the exhaust gases going out can be cleaner than the air going in.

It says that this result was achieved during tests conducted in the City of London by the government's Warren Springs environmental research laboratory. The electronic exhaust technology used in the latest Saab cars produced fewer smog-causing nitrogen oxides and hydrocarbons than was found in the air monitored at the engine intake.

But before the green lobby starts gratefully to disband it should realise that the war is by no means won. Saab is not to start marketing its new cars as environmental vacuum cleaners, because, of course, all is not as wonderful as it sounds.

Since fewer than a tenth of vehicles in the UK are fitted with catalytic converters, the car in front of the Saab would more than likely have been cheerfully belching the nasty stuff directly into the Swedish car's engine.

So, puffed with pride though Saab may be, it is still only converting the very dirty to the merely dirty.

Switched on

A Hungarian, it's said, is someone who enters a revolving door behind you and comes out in front. A case in point is Miklos Casapody, the Hungarian executive just designated director of technology for the US General Electric's subsidiary, GE Lighting Europe.

It is three years since GE

acquired Tungsram, the former state-owned Hungarian lightbulb-maker, thus inheriting Casapody who had been with the company since starting work as an electrician. Following the takeover, the westerners gave the instructions, he says.

But the positions have been reversed by the shake-up in GE Lighting Europe aimed at integrating Tungsram with the lighting business bought from the UK's Thorn EMI. Casapody has emerged from the revolving door ahead.

The self-assured 53-year-old, who learnt English by reading Oscar Wilde at home, becomes responsible for research centres in Leicester and Enfield in the UK, as well as in his native Hungary. His position is probably the highest any native east European has risen within a western multinational.

A sheltered east European managerial upbringing can occasionally be a boon. Casapody says he did not quake when he first met Jack Welch, GE's formidable CEO... before admitting: "I didn't know enough about him to be scared."

Dunn that

Is the invasion of British journalists into the top positions in the US magazine business about to be repeated in the cut-throat world of New York tabloid newspapers?

If Mort Zuckerman, the US real estate developer turned publisher, can lick the New York printing unions into letting him take over the New York Daily News, one of his first jobs will be to recruit a Fleet Street editor.

Mort, owner of US News and World Report, has already been sounding out the top brass at Associated Newspapers; the suggestion has been made that the man to turn round the



Daily News is Martin Dunn, the 37-year-old editor of Today, part of Rupert Murdoch's rival stable.

Of course, this may be just a bit of mischief-making. But Dunn seems well suited. Not only has he lifted Today's circulation by more than 20 per cent, but he spent six years in the Big Apple partly working for the Sun. The word is that he would be off like a shot if he were offered the chance to edit the Daily News.

Embarrassy

While not the worst of Russia's problems, the former Soviet embassy on Berlin's Unter den Linden is proving more of an embarrassment to the purse-pinched diplomats now headquartered in Bonn.

"Grandiose" does less than justice to the Berlin edifice, built in 1951 as part of Germany's war reparations. It boasts an opulence of - among other things - pillared chambers, a stairway of dark green marble taken from Hitler's chancellery, and a stained-glass panorama of the Kremlin. Paying for its upkeep

is another matter. One idea the Russians have been working on is to use the immense dining hall for "market-oriented events". But they have now had another inspiration.

It's to get the building listed as a Berlin landmark, so obliging the city authorities to contribute to its maintenance.

Unseated

Cultural events at the Barbican arts centre in the City of London evidently have power to move people to do strange things. This year, the lost property office collected several sets of false teeth, a lady bra size 38E, a box of 124 unused condoms, and a pair of boy's underpants. All remained unclaimed.

The Barbican has decided to donate these items, along with countless umbrellas, items of underwear, briefcases and cameras to Providence Row, the city's charity for the homeless which is trying to raise £2m.

Bunkered

Armed with the correct postcode but not much else, the British Post Office has successfully delivered a Christmas card to a colleague; the envelope showed the recipient's name and title misspelt, omitted the Financial Times altogether and lodged us in Warkbridge rather than Southwark Bridge.

The signature inside was illegible but scrutiny of the envelope revealed that it had come from the office of Daniel Goedevert, deputy chief executive of Volkswagen. VW may have produced the 1992 car of the year with its new Golf, but it has some way to go before it can qualify for communicator of the year.

SINGLE HIGHLAND MALT SCOTCH WHISKY.

GLENMORANGIE

GEORGE MACKENZIE. Mashman.

IT WAS CHRISTMAS EVE, and the annual Glenmorangie party was in full swing. Somewhere a door opened. A sudden waft of icy Firthside air provoked a flurry of goosepimples. And a briskly pedalling figure disappeared into the mist outside. 'Who was that?' asked a visitor. 'Oh, only George Mackenzie. He's away up to the mash-house to tend the mash.'

Even those who do not work at the distillery know of George's dedication to the mash. Ask him why on Christmas Eve, Burns' Night, even Hogmanay he will give up all to be with his charge, and he will reply: 'Time and the mash wait for no man.'

HANDCRAFTED BY THE SIXTEEN MEN OF TAIN.

INTERNATIONAL COMPANIES AND FINANCE

Tiphook raises payout despite drop in profits

By Angus Foster in London

TIPHOOK, the UK freight container and trailer rental company, yesterday raised its interim dividend 11.4 per cent in spite of a fall in profits.

Pre-tax profits fell 10 per cent to £35.2m (\$53.5m) from £39.2m in the six months to October 31. The container division performed well but the trailer rental division was affected by UK recession and a weakening in Germany.

Mr Robert Montague, chairman, said the second half of the year, which is the more important, had started well with signs of improvement in the UK. "We're going to have the best Christmas for two years," he said.

The dividend increase, from 4.1p to 4.9p, was a continuation of Tiphook's policy of raising dividends now that a period of heavy capital expenditure has been largely completed. The increase, which followed a 25 per cent rise last year, lifted Tiphook's volatile shares 10p to 294p, compared with this year's high of 476p.

Turnover increased 6 per cent to £170.7m while operating profits grew less than 1 per cent to £62m.

The container division's sales increased 11 per cent to £94.6m, helped by strong

growth in intra-Asian trade. But operating profits increased only 3 per cent to £45.6m. Rental rates were steady, but delays integrating new capacity led to a 3 per cent fall in utilisation rates to 85 per cent.

The trailer rental division was hit by lower utilisation rates because of recession, but rental rates improved 9 per cent. The division incurred a pre-tax loss of £300,000, which included a £600,000 provision against Charterair, the private freight operator which collapsed in August.

Net borrowings increased more than £150m to £328.3m. More than £100m of the rise was because of higher US dollar conversion rates following sterling's fall. The gearing ratio increased from 2.8 times to 3 times shareholders' funds but remained "comfortably" within banking requirements, the company said.

Interest charges increased 12 per cent to £26.9m, with interest cover falling from 2.6 times to 2.3 times. Earnings per share fell from 26.1p to 22.4p. Capital expenditure is expected to be £90m this year, compared with £228m last year.

Lex, Page 16

Total warns of steep fall in earnings for year

By William Dawkins in Paris

TOTAL yesterday became the second of France's two oil companies to forecast a steep profits decline for the year, when it warned net earnings in 1992 would drop by more than the 47 per cent decrease recorded in the first six months.

Mr Serge Tchuruk, Total's chairman, told a shareholders' meeting the first-half fall would be "confirmed or slightly exceeded in the full year", prompting a fall in the share prices of Total and Elf Aquitaine, its French rival.

The squeeze on refining margins over the past year and the dollar's decline, has hit Total harder than Elf Aquitaine, because more of Total's activities are downstream. Elf recently predicted a 35 per cent fall in 1992 profits, citing several reasons including over-capacity in the petrochemicals industry.

Total's forecast includes the impact of a FF600m (\$113.2m) charge for restructuring and writing down the value of some non-strategic assets, as well as the FF50m it will have to contribute towards repairing a fire-damaged refinery, the rest of which is covered by insurance.

Mr Tchuruk warned the gloomy international economic situation may last through the first half of the year, despite encouraging signs from the US. However, Total planned to maintain its dividend this year unless the oil industry outlook worsened.

KLM expecting no lift next year

KLM, the Dutch airline, faces a difficult 1993, on top of the loss already forecast for this fiscal year, according to Mr Pieter Bouw, chairman, writing in a staff magazine, Reuter reports from Amsterdam.

He blamed fare wars on important routes, the strength of the guilder and the impact of recession on traffic growth for his bleak forecast.

Austria reveals new-found zeal for privatisation

IT IS a bit late in the day, but Austria seems finally about to undertake a serious privatisation programme.

This news may come as a surprise to those who know that the Austrian government has in the past few years sold off significant stakes in its vast holdings of the country's leading banks and industrial companies. But in almost all of these cases, the government has retained majority or voting control. Given the strong socialist - some would say collectivist - strain in Austrian management-labour-government relations, it probably would have continued to do so if the recession had not rudely disrupted its plans.

The event that provoked the policy shift was the revelation earlier this year that Austrian Industries, a conglomerate of metal and oil companies that was being readied for Austrian-style privatisation, had plunged into heavy losses. That meant the government, which was counting on the proceeds of a partial sale of AI equity to help cover its deficit, had to resort to more radical measures.

Now, with a couple of exceptions, it seems ready to sell control of most of its holdings. And it has given up any dreams it may still have held of building up Austrian-controlled world competitive giants in finance and industry.

"The state has to look to what it can release," said Mr Viktor Klima, the minister responsible for nationalised industries.

While this statement would seem a truism in most western countries, it is nearly revolutionary in Austria where state ownership is still widely seen as a defence against foreign ownership and as a necessary pre-condition for the cosy and usually effective social partnership among government,

social partnership continued more or less intact. The only real addition in many cases was an ill-fated international ambition. This was particularly true at the leading banks, most of which came to grief with expansions in London and New York in the late 1980s.

As late as last year, Mr Rudolf Streicher, the former nationalised industries minister, could say of AI: "Our aim is an Austrian dominated industrial concern whose managers have to report to Vienna and Linz and not to Amsterdam and Tokyo."

Today, Mr Streicher's successor, Mr Klima, points out that AI's problems stem largely from over-investment abroad. "In the past five years, it invested more than Sch20bn (\$1.8bn) more than its cash flow. That is why it got into trouble."

The first application of the new policy is on AI itself. Instead of being readied for flotation as a single large group, it is now being stripped down to its core metal and engineering businesses, most of them inherited from the old Voest Alpine. Other activities are being privatised separately.

In particular, OMV, the large oil and chemicals group which

is one of the two main sources of AI losses this year, is being detached and restructured. Under a new chief executive, it is withdrawing from some of its international ventures and concentrating on becoming a leading player in central European oil products markets.

Large minority blocks of its shares are to be offered to potential strategic partners,

within the next year and it could be possible. AI executives are making optimistic noises about their steel and steel-related technology businesses. But he says that unless equity markets improve, the first step will probably have to be a private placement of 10 to 20 per cent of the equity.

In all of these cases, except OMV, the government is prepared, at least in principle, to sell a majority of its holdings. Mr Klima, OMV's finance director before he joined the government last spring, says the oil company is vital to Austria's energy security.

The government also seems willing to give up its control of the big banks.

Speculation has been rife in Vienna for weeks of the government selling a part of its 49 per cent stake in Creditanstalt to a foreign company. And it confirmed that Mr Ferdinand Lachner, the finance minister, had discussions in September with General Electric of the US, among others.

But as always in Austria, the implementation of this new enthusiasm for real privatisation may not come quickly. It is notable, for example, that the flotation of VAE involves only 49 per cent of the shares. Sources close to the issue say the anxieties of the trade unions prevented it from being higher.

Which goes to show it is still not easy for commercial values to make headway against the social partnership.

The state seems ready to sell control of most of its holdings and it has given up any dreams of building up Austrian-controlled world competitive giants in finance and industry, writes Ian Rodger

COMPANY NEWS IN BRIEF

PETROFINA, Belgium's largest industrial company, said it cut 1992 capital spending by 10-20 per cent compared with an initial budget of BFr2bn (\$1.6bn), following an expected sharp fall in 1992 profit.

The company said it had drawn up a capital spending budget of about BFr40bn in 1993, but gave no precise estimated final spending figure for 1992.

The budget will focus on installing facilities at the group's Antwerp refinery and on continuing to develop oil fields in the North Sea, due to come on stream in 1993 and 1994.

● ABN Amro, the Nether-

lands' largest banking group, expects to make a public tender offer at between F115 and F116 a share for the stock it does not already own in Brevast, the property investment group. AP-DJ reports from Amsterdam.

"The talks... at present have advanced to the point at which an agreement can be reached for a public tender offer by ABN Amro for all the shares and stock certificates outstanding of Brevast," ABN said.

The Dutch bank added that it holds about 21 per cent of Brevast's total shares outstanding. The company did not give a time frame for the start of any offer.

UK retailers seek temporary reprieve from rent

By Vanessa Houlder in London

FOR hard-pressed UK retailers, the importance of Christmas is not just the seasonal boost to sales.

It is also one of the year's quarter days, when the rent falls due.

This year, the strains on overstretched traders have been evident in their attempts to persuade landlords to relieve their rent burden for a temporary period.

Many landlords are taking a sympathetic approach, as long as they had full access to the tenant's books and they were convinced of

the company's sincerity.

"We are doing a lot of deferment deals," said Mr John Parry, managing director of Hammerson, which is one of the largest property companies in the UK.

"We don't forgive rent but we will help tenants through a difficult cash flow period," he added.

The most notable example is Ratners, the jewellery chain, which met with a mixed response from landlords when it asked to defer rent payments to finance its Christmas stock.

Some believed it was worth helping the company out rather than being left with a

lot of shops they were unable to let.

Others were sceptical that a quarter's rent would be make-or-break for Ratners and wished to collect their debts while they could.

As landlords grapple with record numbers of empty shops, they are watching the fortunes of traders with particular care.

"The pre-Christmas period is critical," added Mr Parry.

The landlords' concern about their unlet properties is prompting many to sign up retailers, typically selling items such as gifts, bargain books and cards, on leases of just a few months.

"The short-term letting market has been very buoyant indeed," said Mr Graham Chase of Erdman Lewis International, the property advisers.

The attraction for the tenant is that it can test the market and benefit from Christmas sales.

The landlord benefits from a livelier shopping centre, reduced outgoings and the possibility that the tenant will decide to take a permanent lease.

However, other tenants often object to the newcomers taking away their business, without supporting the overheads throughout the year.

Even if retailers do well over the Christmas period, their landlords will have to work increasingly hard to stand still.

Many empty shops have been filled with specialist retailers which have expanded with the help of rent-free periods and cash payments from desperate landlords - only to collapse when these incentives have run their course.

However, by March quarter day, several more retailers in the UK are likely to have disappeared, regardless of whether the Christmas trading period is successful or not.



Bacardi Limited

has acquired a controlling interest in

General Beverage Corporation, S.A.

the holding company for the

Martini & Rossi group of companies

J.P. Morgan Securities Inc. assisted in the negotiations and acted as financial advisor to Bacardi Limited

JPMorgan

November 1992



Cemex, S.A.

through its wholly owned subsidiary

Sunward Acquisitions, N.V.

has acquired a majority shareholding in

La Auxiliar de la Construcción, S.A. (Sansón)

J.P. Morgan Securities Inc. acted as financial advisor to Cemex, S.A. and assisted in the negotiations, and J.P. Morgan Sociedad de Valores y Bolsa, S.A. acted as dealer manager for the public tender offer

JPMorgan

November 1992

INTERNATIONAL COMPANIES AND FINANCE

Toyota warns of further sharp profits decline

By Steven Butler in Tokyo

TOYOTA Motor, Japan's leading car maker, yesterday warned of another sharp decline in profits in the year ending June as a result of sluggish sales in the Japanese market.

Mr Tatsuro Toyoda, president, said Toyota's parent company pre-tax profits were expected to slide by about 20 per cent to ¥300bn (\$2.4bn) in the year to the end of June, the third consecutive year of declining profits.

With Toyota, Japan's most efficient and profitable car company, revising profit projections downward, a shadow has been cast over the rest of Japan's car makers, who may also be forced to lower their profits forecasts again.

Already, Nissan is expecting a ¥20bn net loss for the year to the end of March, while Mazda has been struggling to stay in the black.

Mr Toyoda said the decline reflected both weak total sales volumes and poor sales of more profitable luxury models. Profits since the end of the last fiscal year have been running roughly 30 per cent below a year ago.

In August, Toyota had projected a sales increase of 5 per cent and level profits. Toyota said yesterday that the value of sales would increase



Tatsuro Toyoda: places the blame on sluggish sales

only marginally to ¥9,000bn.

The projected profits will be the lowest since the company merged its manufacturing and sales operations in 1982, and compare with record pre-tax profits of ¥733.9bn in the year to June 1990.

But Toyota said it anticipated a modest recovery in vehicle sales in the first half of calendar 1993. Overall, Toyota expects the volume of domestic sales to decline by 5 per cent this year, and anticipates a 3 per cent growth in sales next year.

Toshiba in technology deal with US group

By Steven Butler

TOSHIBA, the Japanese electronics company, and National Semiconductor, of the US, yesterday announced an alliance aimed at developing a market for Toshiba's proprietary technology for flash memory devices, semiconductors which retain information when the power is switched off, much like hard disk drives.

Flash memory is one of the hottest products in the electronics industry and is expected eventually to replace disk drives and other magnetic recording devices in a wide range of portable electronic equipment.

Sales have been dominated by a technology developed by Intel of the US, which dominates the world's microprocessor market.

Although Toshiba is credited with inventing flash memory, its design of flash memory has proved more difficult to develop into useable products.

The company earlier this year formed an alliance with IBM, in which Toshiba would share its flash memory technology, while IBM would share technology for a controller device allowing high-speed read and write functions.

Toshiba and National Semiconductor said yesterday the Toshiba technology was most suitable to replace hard and floppy disk drives in computers and workstations.

Under the terms of the deal, Toshiba will licence its technology to National Semiconductor and will have rights to derivative technology developed by National Semiconductor.

Toshiba said a principal motivation for the deal was to encourage development of the market for its technology by developing a second source of supply for would-be users.

The agreement follows a common pattern of deals between US and Japanese semiconductor makers, who have sought shelter from the risks of the semiconductor business by working together.

Indonesia issues threat to liquidate Bank Summa

By William Keeling in Jakarta

THE Indonesian government said yesterday it would liquidate troubled Bank Summa within two days unless the Soeryadaya family, its owners, injected new capital. Brokers saw the move as forcing the family to sell their majority holding in Astra International, Indonesia's dominant automotive company, to raise finance.

The suspension of Bank Summa in mid-November, with debts of more than Rp1,000bn (\$487m), has brought into question the health of Indonesia's banking sector, caused customers to withdraw deposits from three other banks and led to heavy selling pressure on the Jakarta stock market.

"If there is no fresh money

being injected, the government will act to liquidate Bank Summa in the next one or two days," Mr Mardiono, state secretary, said yesterday.

Diplomats say the statement is likely to have been instigated by President Suharto.

Mr Mardiono added the government would not allow the Soeryadayas to borrow further from domestic banks and would oppose the Soeryadayas' raising offshore finance.

The Soeryadayas have failed to meet an action plan, agreed in June, to inject new money into Bank Summa, despite raising more than Rp700bn in loans from domestic banks, secured against their Astra shareholding. A Rp500bn loan from a three-bank consortium, headed by state-owned Exim

Bank, matures on Friday. In the last week, the Soeryadayas have held negotiations with two competing consortia to sell more than 100m Astra shares, over 40 per cent of the company. The consortia are headed by Mr Prajogo Pangestu, a timber businessman with political connections, and Mr Hashim Djojohadikusumo, son of Mr Sumitro Djojohadikusumo, appointed Astra chairman in September.

Bankers to Astra have expressed reservations over some of the potential new shareholders. They say the company's cost of borrowing is certain to increase. Astra has foreign loans of over \$900m, of which, brokers say, more than half are scheduled for renewal within the next 12 months.

Arnotts' shares rise as report claims bid is undervalued

By Kevin Brown in Sydney

ARNOTTS, the Australian biscuit company, yesterday released a report valuing its stock at up to A\$3.50 a share more than the A\$2.90 offered by Campbell Soup, the US food group. Grant Samuel, the merchant bank which prepared the report, said the bid "substantially undervalues Arnotts and is not fair and reasonable".

It said the shares were worth A\$10.78 to A\$11.32. Arnotts' shares rose nine cents to A\$2.20 on the Australian Stock Exchange after the report was released, recovering ground lost after the government allowed the bid to proceed last week.

Campbell said the valuation was unrealistic. "No sound financial analysis can support such a high value for Arnotts. The range is completely out of line with market expectations and analyst valuations."

The report provides support

for the Arnotts board, which has called for a "significant" improvement on the Campbell offer. Schroders, the merchant bank which is advising Arnotts, earlier suggested A\$12 would be a fair price.

Campbell, which owns just under 35 per cent of Arnotts, is seeking a further 17.5 per cent for a majority stake of 50.1 per cent, but has offered to acquire up to 100 per cent of the stock. The offer values Arnotts at A\$1.2bn (US\$557m).

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The report provides support

DSM in short production cut

By Paul Abrahams

DSM, the Dutch chemicals group, yesterday reconfirmed the fire state of the European petrochemical industry when the company announced it was cutting production temporarily between Christmas and January 1 next year. Petrochemical manufacturers normally try to keep their capital-intensive plants running at full capacity to cover their fixed costs.

The company said it would

cut high density polyethylene and polypropylene production because of poor prices and high stock levels. DSM refused to detail the scale of the cut-backs.

DSM's move follows a decision in September to cut ethylene production on one of the trains on its second cracker. DSM has annual capacity to manufacture just over 1m tonnes of ethylene and 230,000 tonnes of high-density polyethylene.

Mr Arthur Spiertz, public

affairs manager, said: "DSM is dissatisfied with current market prices and associated profitability levels, so the lower output also serves to support the company's price policy."

The move highlights the plight of the sector, which is suffering from massive overcapacity. Five European manufacturers are expected to introduce an additional 2m tonnes of ethylene capacity between 1991 and 1994.

European operating rates are presently about 85 per cent.

TO THE HOLDERS OF SECOM CO., LTD.

(the "Company")

U.S. \$40,000,000
5 per cent. Convertible Bonds 1998
(the "Bonds '98")
and
U.S. \$80,000,000
3 1/2 per cent. Convertible Bonds 1999
(the "Bonds '99")

NOTICE OF ADJUSTMENTS OF CONVERSION PRICES

Pursuant to Clause 6(E)(ii) of each of the Trust Deeds dated 26th May, 1983 relating to the Bonds '98 (the "Trust Deed '98") and the Trust Deed dated 18th September, 1984 relating to the Bonds '99 (the "Trust Deed '99"), notice is hereby given as follows:

On 10th December, 1992, London time, the Company issued, in accordance with the resolutions of its Board of Directors adopted at the meetings held on 18th and 20th November, 1992, \$30,000,000 2 per cent. Convertible Bonds 1998 which are convertible into shares of common stock of the Company (the "Shares") at the conversion price of \$5.392 per Share which is less than the current market price per Share (as defined in the respective Trust Deed '98 and Trust Deed '99) on 20th November, 1992 (the date at which the Board of Directors of the Company fixed said conversion price) of \$5.628.70 per Share. Consequently, the Conversion Prices of the Bonds '98 and the Bonds '99 have been adjusted pursuant to Condition 5(D) of the Terms and Conditions of each of the Bonds '98 and the Bonds '99, respectively, as follows:

1. Bonds '98	
Conversion Price before adjustment:	\$1,943.50
Conversion Price after adjustment:	\$1,939.40
2. Bonds '99	
Conversion Price before adjustment:	\$3,616.50
Conversion Price after adjustment:	\$3,609.20
3. Effective Date of both adjustments:	10th December, 1992, Japan time

SECOM CO., LTD.
Tokyo, Japan
By: The Mitsubishi Bank, Limited
as Principal Paying Agent

15th December, 1992

GOLD FIELDS COAL LIMITED

(Incorporated in the Republic of South Africa)

(Registration No. 01/01124/1/0)

DECLARATION OF DIVIDEND

The company has declared a final dividend of 150 cents per ordinary share in South African currency, payable to members registered at the office of the company at 12 o'clock on 31 December 1992.

Members payable on 3 February 1993 will be posted on 2 February 1993

Standard conditions relating to the payment of dividends are contained in the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 12 o'clock on 31 December 1992 in accordance with the above-mentioned conditions.

The register of members will be closed from 1 January to 3 January 1993, inclusive

By order of the Board
for and on behalf of GOLD FIELDS CORPORATE SERVICES LIMITED
London Secretaries
R.J. Daniels, Secretary
United Kingdom Registrar
Bancroft House
34 St Clements Road
Buckingham
MK1 1JU

14 December 1992

A member of the Gold Fields Group



Cemex, S.A.

through its wholly owned subsidiary

Sunward Acquisitions, N.V.

has acquired a majority shareholding in

Compañía Valenciana de Cementos Portland, S.A.

J.P. Morgan Securities Inc. assisted in the negotiations
and acted as financial advisor to Cemex, S.A.

JPMorgan

November 1992

Around the world,
clients who require an
advisor with unexcelled skill
in solving complex problems,
with demonstrated
cross-border expertise,
and with capital strength,
can rely on one firm.

JPMorgan

Mitsubishi Trust Australia Limited

(Incorporated in New South Wales, Australia)

U.S. \$50,000,000

Variable Rate Guaranteed Notes due 2000

Unconditionally and irrevocably guaranteed by

The Mitsubishi Trust and Banking Corporation

(Incorporated in Japan)

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 14th June, 1993 has been fixed at 4.1375% per annum. The interest accruing for such six month period will be U.S. \$2,091.74 per U.S. \$100,000 Bearer Note, on 14th June, 1993 against presentation of Coupon No. 6.

Union Bank of Switzerland
London Branch Agent Bank

10th December, 1992

U.S. \$100,000,000



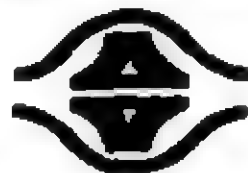
Allied Irish Banks plc

Floating Rate Notes Due 1995
Subordinated as to payment of principal and interest

Interest Rate	5% per annum
Interest Period	14th December 1992 14th June 1993
Interest Amount per U.S. \$100,000 Note due 14th June 1993	U.S. \$265.42

Credit Suisse First Boston Limited
Agent

U.S. \$150,000,000

Formosa Plastics Corporation, U.S.A.
(Incorporated with limited liability in the State of Delaware)

Floating Rate Notes due 1999

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from December 15, 1992 to June 15, 1993 the Notes will carry an interest rate of 5% per annum. The interest payable on the relevant interest payment date, June 15, 1993 will be U.S. \$13,112.65 per U.S. \$500,000 principal amount.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

December 15, 1992

INTERNATIONAL COMPANIES AND FINANCE

Time Warner aims to cut borrowings by \$3bn

By Alan Friedman in New York

TIME WARNER, the US media and entertainment group, is hoping to reduce its \$3bn borrowings by a third over the next two or three years by either selling assets or issuing asset-backed bonds.

Mr Geoffrey Holmes, the Time Warner vice-president who last week told a New York seminar that the company wanted to "monitize" about \$3bn of assets, said at the weekend that the aim was "to improve our balance sheet" by converting certain shareholdings into cash generating assets.

Mr Holmes specified a series of equity investments "that are not presently put

through our profit and loss account" as being possible candidates for disposal. While stressing that no decisions had been taken, he said that these investments included:

● A 15 per cent stake - worth about \$125m - in Black Entertainment Television, a cable network.

● An 11 per cent stake - worth around \$150m - in QVC, the home-shopping cable television network whose most recent investor is Mr Barry Diller, the former chairman of the Fox film and television studio.

● A 50 per cent stake - worth "a few hundred million dollars" - in the Six Flags theme park group.

● A 21 per cent stake - worth about

\$125m - in Turner Broadcasting, the Atlanta-based group controlled by Mr Ted Turner.

● A 37.5 per cent stake - with a book value in Time Warner's accounts of \$175m - in Whitely Communications.

Mr Holmes said that Time Warner may not sell all of these assets. In some cases it may issue bonds backed by the assets, as with its current offer of \$500m of zero-coupon convertible bonds backed by Time Warner's 14 per cent stake in Hasbro, the toy maker.

He added that Time Warner had 50 per cent of cable television ventures from New York to Florida and Texas with a total of 1.5m subscribers and which generate about \$135m of annual

cash flow. Although the value of these cable subscriptions is about \$1.5bn, less \$400m of related debt, Time Warner might decide to buy out some partners rather than sell its holdings.

This would enable the company to place more cash flow in its profit and loss account.

The Time Warner executive acknowledged that the company's earlier hopes of lowering its debt level by raising \$2bn to \$3bn from European and Asian partners had not gone as quickly as had been planned after the 1989 merger of Time and Warner Communications. However, he said more international alliances would be unveiled over the next year.

GM reaches agreement with union on job cuts

By Karen Zagor in New York

GENERAL Motors, the US carmaker which is in the middle of a restructuring, has reached agreement with the United Auto Workers Union which will allow GM to slash thousands of jobs.

The new early retirement plan will be financed by up to \$450m in joint UAW/GM joint training funds. The plan targets about 22,000 GM hourly employees who have already lost their jobs but receive full salaries under GM's national contract with the UAW.

The new package lowers the age of retirement to 50 and will be offered to hourly workers who have been at the company for at least 10 years.

As an incentive, GM is offering to contribute as much as \$13,000 towards the purchase of a new GM car for employees taking advantage of the retirement plan. GM is also eliminating its income cap so that retired employees will be eligible for full GM pensions even if they find jobs elsewhere.

An earlier salary program was extremely popular, allowing GM to push forward its goal of cutting 20,000 salaried jobs by one year, to the end of 1993.

Earlier this month, GM unveiled plans to close nine more North American plants and dispose of about 14 per cent of its automotive components operations. It is estimated that GM could save up to \$1bn if those employees now on long-term lay-off accept the retirement plan.

IBM takes stake in software supplier

INTERNATIONAL Business Machines is to acquire a minority equity position in Caseworks, an Atlanta-based supplier of workstation-based application software development tools, AP/DJ reports. Terms were not disclosed.

IBM said Caseworks develops and markets tools for OS/2 and other workstations.

DeCrane to be new Texaco head

By Alan Friedman

TEXACO, the big US energy group, yesterday said that Mr Alfred DeCrane, chairman for the past five years, would take over as chief executive next April, following the retirement of Mr James Kinnear, who has been president and chief executive since 1987.

The 61-year-old Mr DeCrane joined Texaco in 1959 and served in a number of senior positions at the energy group before joining the board's executive committee in 1978.

He became president in 1983 and chairman four years later. Mr Kinnear, who will be 65 next March, joined Texaco in 1954 and was appointed to



Alfred DeCrane: takes over as chief executive in April

the group's board in 1977.

In its third quarter of 1992 Texaco disclosed a 5.9 per cent decline in net earnings. The company attributed the

fall to costs associated with property damage caused by Hurricane Andrew and debt-related expenses.

The drop - from \$286m to \$269m - translated into earnings per share of 94 cents, down from \$1.01 a year ago. However, Texaco argued that without special charges its third-quarter 1992 net would have been \$1.10 a share, or \$308m.

Revenues in the quarter were 6.9 per cent higher at \$10bn.

For the first nine months of 1992, Texaco's net income dropped by 26.4 per cent to \$714m on revenues that were 2 per cent lower at \$27.97bn.

Horsham takes 100% control of US oil group

By Robert Gibbens in Montreal

MR PETER Munk, the Toronto entrepreneur, has settled his dispute over the future of Clark Oil & Refining, the US oil refiner and distributor, with his long-standing associate, Mr Anthony Novello.

Horsham, controlled by Mr Munk, owns 60 per cent of Clark and has now reached agreement to buy out the 40 per cent minority holding from Mr Novello for US\$100m in cash.

Horsham said that it had wanted to buy the Clark minority shares since it first

bought control in 1988.

"Horsham will now own 100 per cent of Clark and have unrestricted ability to manage it to maximise shareholder value," said Mr Paul Melnik, president of Horsham.

Horsham owns 21 per cent of American Barrick Resources, the gold producer which is also controlled by Mr Munk.

This summer Mr Novello, a St Louis oil dealer, succeeded in blocking Horsham's plan to take Clark public.

Clark, which owns two US refineries and nearly 900 retail outlets in the mid-western US, had 1991 revenues of US\$2.4bn and profit of US\$89m.

Dofasco battles its way back into profit

Robert Gibbens assesses the steel maker's options

D OFASCO, Canada's biggest steel maker and an industry leader until to late 1980s, is battling its way back to profitability and a new niche in the north American market.

The company is shutting a further 1m tonnes of uneconomic ingot capacity at Hamilton, Ontario, Canada's steel capital, and considering a joint venture thin-slab casting mill either in Canada or the US.

Dofasco, which specialises in flat rolled products for the car and appliance markets, was one of the first north American steel makers to adopt continuous casting and until the late 1980s was profitable.

High pay rates kept the

United Steelworkers' union at bay, while attrition and early retirements enabled it to introduce automation with the minimum of pain.

In 1988 Dofasco bought Algoma Steel from Canadian Pacific for C\$560m (US\$438.6m) to build up its raw steel capacity, and continued to spend heavily on all its plants.

But by 1989, north America was sliding into recession. As the steel market faltered, Dofasco was forced to retrench. High interest rates and a strong Canadian dollar, followed by trade disputes with the US, made matters worse.

Dofasco had to write off its Algoma investment.

Last summer Dofasco closed a castings operation and announced early retirement plans to take its payroll to 9,000, down 2,000 in two years. Eventually the workforce would dip below 7,000, it warned.

In the first nine months of 1992, after restructuring charges, Dofasco lost C\$89m, or C\$1.52 a share, on sales of C\$1.5bn, against a loss of C\$22m, or 64 cents, on sales of C\$1.55bn a year earlier. Shipments rose slightly to 2.5m tonnes.

Dofasco has taken several key decisions.

● It will omit the dividend due January 1 1993 to conserve cash. This follows omissions in the previous two quarters. The preferred dividends will be maintained.

● The No. 1 ingot line will shut next summer. This will lead to a special pre-tax charge of C\$150m, to be taken in the final quarter of 1993, and including severance costs for a further workforce reduction of 2,000.

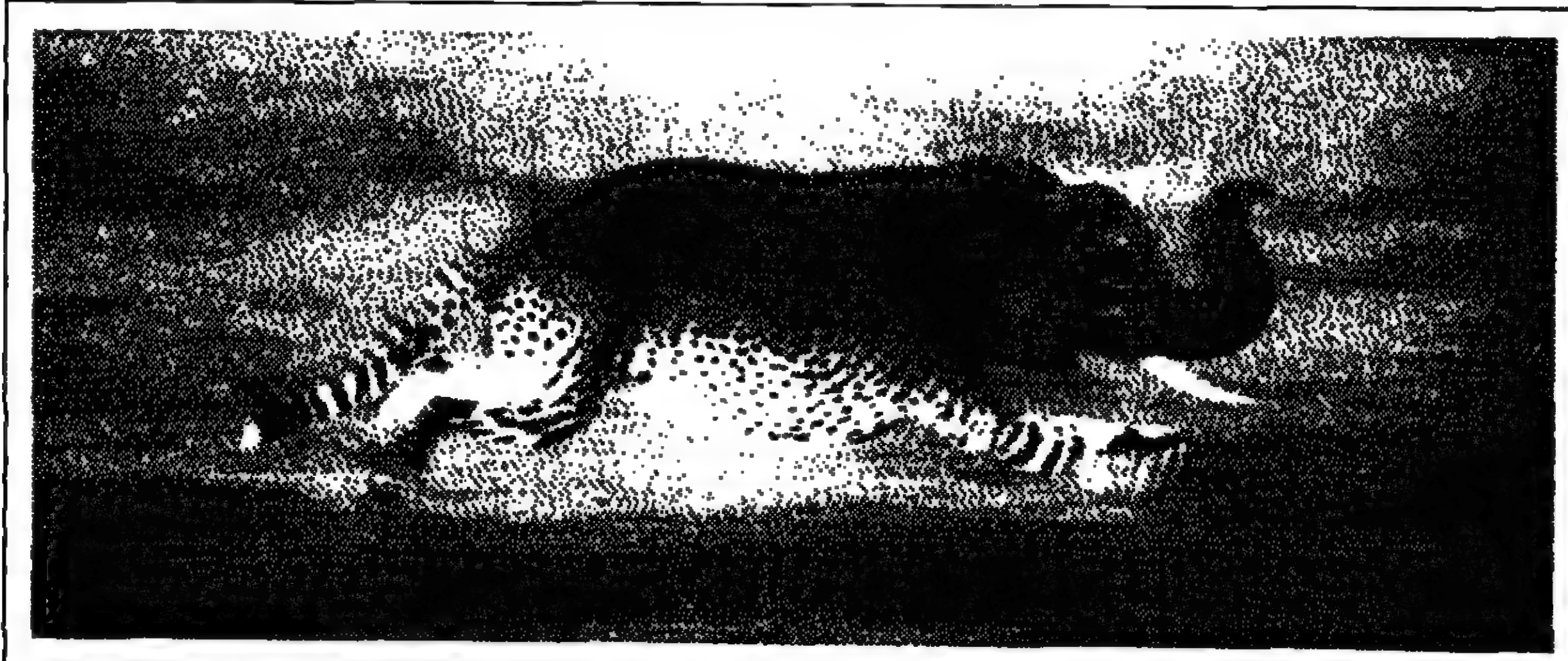
● A considerable offset will come from using a pension fund surplus.

● Annual capacity will fall to 3m tonnes.

The company will decide next year whether to go ahead with a mini-mill costing between C\$250m and C\$300m. "It would give us competitive high quality flat rolled steel to complement our existing output," says executive vice-president, Mr John Mayberry.

Much may depend on US recovery and the steel trade dispute with the US. The recent US decision to slap heavy duties on steel imports from 12 countries, alleging subsidised prices, could firm steel markets in north America. These countries represent 3.5 per cent of the US hot and cold rolled and galvanised markets.

We now have the strength and speed to help you move on any opportunity.



Opportunity is by nature elusive. To track it down, you need exceptional resources and agility. Today, one global financial institution offers you that unique combination: Chemical Bank's Geoserve.

Thanks to our recent merger, we've strengthened our worldwide presence and increased our assets to \$139 billion. We've become a dominant player in the international banking services arena and the leader in U.S. Dollar clearing. And yet, despite this prominence, we're not content to sit on our laurels. We continue to set the pace with service innovations and investments in technology.

So call Jim Watkins at (212) 270-7812 in New York, Rainer Gebhardt at 4471-932-3435 in London, or Jan Vasko at 852-841-6620 in Hong Kong. We'll show you just how quickly we can help you seize any opportunity, no matter how unpredictable the terrain.

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THE MINISTRY OF ENERGY AND MINES, REPUBLIC OF VENEZUELA



and

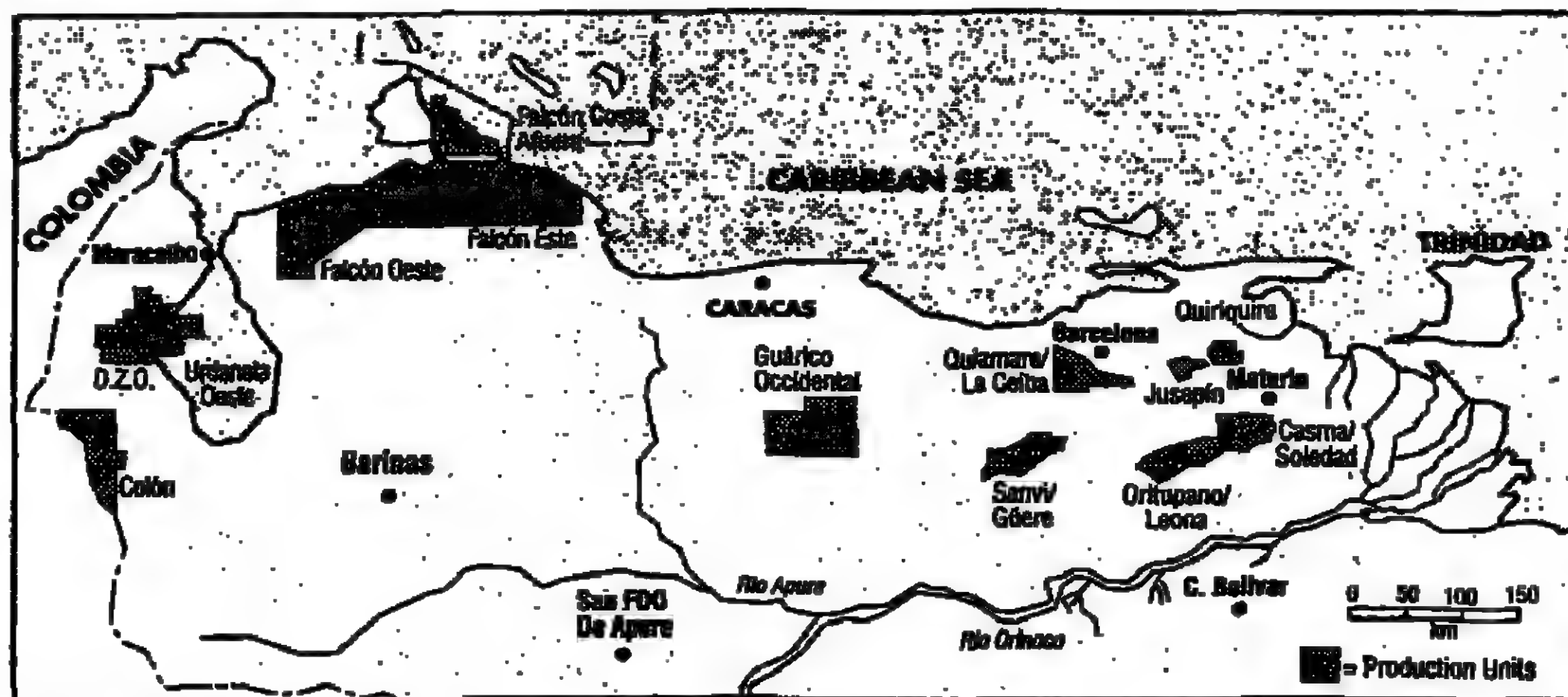
PETROLEOS DE VENEZUELA S.A.

extend an invitation to participate in the

REACTIVATION PROGRAM FOR MARGINAL OIL FIELDS

The Ministry of Energy and Mines of the Republic of Venezuela, and Petróleos de Venezuela S.A. invite all international companies with a sound managerial, technical, operational and financial background, to the second phase of a selective bidding process for the reactivation and operation of a number of marginal oil fields through Operating Service Agreements. These fields (74) grouped in 13 units of production, are located in the states of Zulia, Falcón, Guárico, Arzategui and Monagas, and can be identified on the map below as:

Guárico Occidental (13)	Casma-Soledad (2)	Urdaneta Oeste-Sol (1)	Falcón Oeste (4)
Sarví-Güere (15)	Josepín (1)	Colón (6)	Falcón Este (2)
Ortopano-Leona (15)	Quiriquire (1)	D.Z.O. (7)	Falcón C.A. (1)
Quiamara-La Ceiba (6)			



These areas are composed of several marginal fields of varying stages of depletion, thus allowing for the application of new technology in outposts and deeper horizons for the development and production of additional reserves.

Companies interested in participating should fax a written request to:
(58-2) 908-4006

and mail the same request, via courier, before January 15, 1993 to:
Coordination of Exploration and Production, Attention: Alberto Aho, Petróleos de Venezuela, Av. Libertador, La Campiña, Caracas 1010-A, Venezuela

Beginning January 15, 1993, the companies interested in participating will receive a promotional package with basic information concerning the fields included in this program, together with the regulations involved and a sample of the operational contract.

The companies interested in participating, should complete the requirements contained in the "Formal Expression of Interest," and return these to the Coordination of Exploration and Production of Petróleos de Venezuela with a summary of the most important aspects of their company that demonstrates their legal, technical and financial capacity to carry out the program. This information will be used as a basis for selection.

The companies selected will be notified by mail, before April 12, 1993, and will be informed of the detailed conditions; place, date and time for the placement of bids. From April 13 to April 30, the companies can then purchase the information packages that are of interest to them. The deadline for the presentation of bids will be July 9, 1993.

Move to common formats in the securities industry

against 12.75 per cent at Friday's close.

The tap stocks include £100m of the 8 per cent Treasury stock due 2002/2006, £250m of the 9 per cent Treasury stock due 2008, and £350m of the 9 per cent Treasury stock due 2012.

up from 99.27 to 99.29 by late afternoon in thin volume, while in the cash market the 9% per cent gilt due 2002 rose from 108 $\frac{1}{2}$ to 109 $\frac{1}{2}$.

Although the Tankan report, the Bank of Japan's quarterly survey of business confidence released on Friday, pointed to

Bonds in the four to seven-year area led the fall in prices.

ls to find

Austrian offer fails to find interest

While it is not uncommon for banks to express a contrary market view by taking bonds on their books, it is unusual to launch a new issue for this purpose, especially one which is syndicated among a group of banks. In the case of the

Republic of Austria deal, IBJ assembled an underwriting group consisting of 22 banks and securities houses. However, these underwriters performed no practical function, merely selling the bonds allo-

INTERNATIONAL BOND			
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MARKET S

Terms of Czech central bank Eurobond altered

changed an event of default clause which provided for early redemption of the bonds in the event of Czechoslovakia breaking up, according to lead man-

Of the original \$200m issue size, \$188.9m was outstanding before the vote, the balance having been repurchased by the borrower. The vote in

favour of the changes accounted for \$160.8m, with no votes against. The deal, which matures in November 1994, is now trading at a margin of 400 basis points over the comparable US Treasury yield. 100

basis points higher than at launch a year ago. A ¥10bn placement for Statni Banka in the Japanese market is undergoing a similar process.

LIFFE EQUITY OPTIONS

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Grant Mkt.	460	41	22	34	40	41	35	40	460	31	41	47	29	50			30	24	3	3	24	7	64	
Grand Mkt.	420	14	24	46	14	22	28		98	91	16	18	11	13	18		Wellcome (1022)	1000	37	85	105	14	80	65
								(92)	90	6	10	13	17	10	24			11	57	83	45	72	95	
									280	15	24	13	21	19	24									

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FT-ACTUARIES FIXED INTEREST INDICES							
PRICE INDICES				AVERAGE GROSS REDEMPTION YIELDS	Mon Dec 14	Fri Dec 11	Year ago (approx.)
Mon	Tue	Wed	Thurs	Friday	British Government		

		Dec 14	change %	Dec 11	Interest	1992 to date							
							1	Low	5 years	7.33	7.33	8.63	
							2	Coupons	15 years	8.23	8.23	9.33	
							3	0% - 7 1/4	20 years	8.47	8.46	9.33	
							4	Non-Tax	5 years	7.59	7.60	9.64	
							5	15 years	15 years	8.66	8.65	9.45	
							6	10% - 10 1/4	25 years	8.82	8.81	9.42	
							7	Coups	5 years				

3	Over 15 years (8)	152.62	-0.02	132.66	2.24	11.89	8	Corn 15 years	0.95	9.94	3.61
4	Irredeemables (4)	170.71	-0.26	171.25	1.55	13.89	9	11 1/2 - 20 years	0.83	0.92	9.51
5	All stocks (61)	147.87	-0.01	142.43	2.35	12.53	10	Irredeemables (Flat Yield)	0.90	0.87	9.53
6	Under 5 years						11	Under-Limit			
7	Up to 5 years (2)	183.35	-0.01	183.37	0.79	3.68	12	Inflation rate 5%	2.51	2.50	3.97
							13	Inflation rate 5% Opn 5%	2.32	2.38	

7	Over 5 years (11)	163.21	+0.03	163.39	1.04	4.45	13	Inflation rate 10% Up to 5 yrs.	1.64	1.62	3.28
8	All stocks (13)	164.70	+0.03	164.87	1.00	4.32	14	Inflation rate 10% Over 5 yrs.	3.73	3.73	4.15
9	Debs & Loans (62)	123.19	+0.15	123.00	2.67	11.13	15	Debs & 5 years	8.96	8.94	11.18
							16	Loans 15 years	9.90	9.89	11.00
							17	25 years	10.10	10.10	10.83

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COMPANY NEWS: UK

Anglo United £22.7m in red

By Roland Rudd

ANGLO UNITED, owner of the Coalite smokeless fuel business, yesterday confirmed details of a restructuring plan which was mainly responsible for a £22.7m pre-tax loss for the half year to September 30.

Last year's £5m pre-tax profit was wiped out by the cost of restructuring, included in an exceptional charge of £11.2m, compared to a gain of £6.2m from disposals.

Only six months after Anglo won approval from its banks to pay off short-term borrowings from disposals, it was forced to reschedule its debts after customers cut their orders and £50m of disposals fell through at the last moment.

Anglo was faced with a £16.3m interest bill and £7m outstanding from this year's debt repayment, as operating

profits fell from £13.4m to £4.68m. Sales declined to £243.5m (£269.1m).

The group had expected to sell Liquid Fuels to a regional electricity company for £42m in August. The day before contracts were to be signed the electricity company said it would only pay £23m, which Anglo refused to accept. A week later further disposals, worth £5.5m, fell through. Mr David McErlain, chairman, said: "This was a very clear signal, if we needed one, that selling businesses in the current climate is impossible. It was at this point we decided to go straight back to the banks to restructure our debts."

Under the terms of the proposed agreement Anglo's debt of £250m which includes £10m of interest payments due in February - would be

reduced to £180m of which £50m would have deferred interest payments.

£45m would be converted into new ordinary shares at a premium to Anglo's share price, which yesterday closed 1½p down at 6p.

£25m would be issued in zero coupon convertible loan notes which could be converted between now and within ten years at a premium to the existing share price. Warrants would also be issued to shareholders on the same terms.

Interest payments on £50m of debt would be deferred for up to 10 years.

Existing preference shares would be converted into new ordinary shares on enhanced conversion terms.

Losses per share were 7.1p (earnings 1.3p). The interim dividend is passed (0.2p).

COMMENT

Even back in the good old days of the late eighties borrowing £440m debt to acquire a company for £500m was not without its risks. But the combination of three years of recession and last year's exceptional mild winter has finally scuppered Anglo's hopes of keeping to its debt repayment schedule. In the circumstances its proposed deal with its banks does not look too bad. If the loan notes and warrants are not converted, shareholders will keep control of the company, unlike at Heron, for example, where the banks and bondholders are being offered 95 per cent of the equity. Anglo's banks are only likely to convert their loan notes if there is a big increase in the share price - which presupposes a bid or a very cold winter.

£4.7m loss at British Bio-tech 'well within budget'

By Paul Abrahams

BRITISH Bio-technology, the recently floated pharmaceuticals group, yesterday announced pre-tax losses for the first six months to October 31 of £4.7m, compared with £5.7m last time.

Losses per share fell from 22.2p to 14.3p.

The company said the losses were well within budget, but warned they would be substantially higher for the second six months as the clinical trial programme was expanded. The balance sheet remained strong with £55m on deposit, it added.

Mr James Noble, finance director, said: "This was the year we discovered our drugs were safe. Next year we discover if they work."

Our shares should act like those of a US biotechnology group as the clinical trial results materialise. They'll either shoot up or plummet."

Research and development expenditure on new drugs was £8.7m compared with £7.7m last year.

Income increased from £342,000 to £1.58m, mainly because an agreement with Glaxo worth £900,000 and an EC funded AIDS programme worth £700,000. Net cash outflow for the six months was £9.2m.

Operating costs had been kept substantially below budget, said the group.

Interest receivable increased from £1.88m to £2.45m, as the company benefited income generated by the flotation in July.

The company has a number of products in development, including anti-cancer drugs, a treatment for acute shock, an asthma medicine and an AIDS therapy.

Phase II trials to test for the AIDS treatment's effectiveness began last week and will include 72 asymptomatic HIV-positive patients and 100 AIDS sufferers. Trials in the US involving about 75 patients should start next year.

More showers are feared before the sun returns

Jane Fuller considers the problems at Spring Ram

MR Bill Rooney, chairman of Spring Ram Corporation, has needed every ounce of his considerable marketing skills recently.

He has been trying to convince nearly 40 institutional investors that his kitchens and bathrooms company has stumbled, not fallen, over the Batterley Bathrooms affair.

"We are still the same company that we were five weeks ago" before the news that false accounting at Batterley could cost a total of £5.5m and before the share price fell from 166p to 89p.

With investors giving the company credit for its explanation of what happened, the share price has recovered to 120p.

One institutional representative described Mr Rooney and his colleagues as apologetic. "No attempt was made to cover up what had been a badly handled situation."

Another commented: "We are happy that the episode is isolated. To some extent it was bad luck and to some extent looser management than we would have hoped for."

Spring Ram does, however, continue to trade at a discount to the market. It used to command a premium, having multiplied pre-tax profit 12-fold between 1984 and 1991.

To allay the fears raised by Batterley, Mr Rooney and Mr Stuart Greenwood, finance director, came to the City armed with a breakdown of the Batterley losses, a timetable of the problem's discovery and belated revelation, and fighting talk about the "reality" of the group's profits. "It has not been done by Mickey Mouse creative accounting," said Mr Greenwood.

The Batterley explanation was to some extent familiar. The subsidiary's finance director, since sacked, had inflated profits by altering the numbers for stock to the tune of £3.5m over three years - sales, debtors and creditors.

Other Batterley board members were exonerated. Head office, which did without a finance director until Mr



Bill Rooney: went to the City needing all his marketing skills

Greenwood's arrival in March last year, was partly to blame for ordering the stock build-up and then simply accepting the numbers it had wanted to see.

Mr Greenwood said he should have spotted the seriousness of the problem sooner. Blame was deflected from Mr David Riley, who has been the board member responsible for bathrooms since March 1988.

The affair has added urgency to the calls for Spring Ram to be more accountable. Shareholders are developing what one described as "a wish list" of things they would like to see now that the company is being more open.

Mr Rooney said that at least one non-executive director, its first, would be announced by next March. He also seemed amenable to providing a divisional breakdown of profits and sales for the first time in the 1992 accounts.

This will indicate that well over half the profits come from kitchens, driven by rising volumes at the huge Scunthorpe factory, and from Astracast sinks.

Spring Ram has shown an increasing willingness to admit that the bathrooms side has succumbed to the UK recession. For the first time the group has had to make readjustments - at Spring Bathrooms as well as at Batterley.

The group has also been subject to profit-forecast downgrades for the first time. The latest consensus is that the growth in pre-tax profit will

slow to 6.5 per cent this year, giving £40m before exceptional. Expectations for 1993 have been shaded down to between £47m and £48m.

Mr Rooney admits that the pressure has been on this year. The bulge in capital spending - £40m compared with only £2m in 1990 - was not supposed to coincide with recession. It is, however, to the group's credit that it had saved cash for the purpose.

The two start-up factories, doors and tiles, have made losses this year, albeit eased by £2m in grants.

"We have put down 800,000 sq ft this year. That takes courage in a depression and we will spend a similar amount next year because we are planning for the next eight years."

After delivering the presentation to the institutions, Mr Rooney will have to go through it all again as analysts file up to Yorkshire. Their questions are likely to go beyond Batterley to issues concerning the 1992 accounts such as the profits breakdown, stock levels, depreciation and deferred tax.

They are also concerned about Spring Ram's 1993 prospects. Has the company gone ex-growth in its core markets? Why has it acquired Stag Furniture? Will it make much money out of door production?

But the question of credibility may come back to Batterley, especially as the questions the directors stonewalled on this summer were not so wide of the mark.

British Vita expands in eastern Europe

By Richard Gourlay

BRITISH VITA, the polymer, fibre and foam company, is to expand further into eastern Europe through construction of a new foam products factory in Poland.

The Manchester-based company said yesterday it had bought land 20kms from Wrocław, near the Czechoslovakian border, and will initially invest £4m to build a factory to serve the local furniture and bedding markets.

The move follows modest expansion in the last two years into east Germany, where the group has cutting and conversion plants. It has been supplying the local Polish market with exports from Germany and the Netherlands.

Mr Rod Sellers, chief executive, said Vita Polymers Poland would make its own foam as well as importing it in block form. At a later stage, the company might also export to neighbouring countries and sell its other products like fibres into the local market.

"This will be a bridgehead," said Mr Sellers. "It will be a trading organisation capable

of importing."

Further down the road, Mr Sellers said Vita Polymers Poland might expand to serve the German vehicle market. "There is a trend for German auto makers to put more labour intensive operations into Poland," he said.

The local Polish market is likely to demand products towards the lower end of British Vita's range, but margins are likely to be satisfactory once local labour is used and there is no longer a need for high transport and import costs. Much of the raw material can be supplied from the local Polish chemicals industry.

The expansion into Poland further extends British Vita's dependence on the continental European market. With the German economy turning down and tightness in a number of other countries, British Vita's stock market rating has suffered recently from this exposure.

Mr Sellers said yesterday that while the German market was turning down, domestic consumer demand was holding up relatively well.

Tuskar chairman under threat from dissident

By Tim Coome in Dublin

MR Duncan McGregor, chairman of Tuskar Resources, the Irish exploration company in which shares have been suspended since August, faces a move to oust him from the board at the annual meeting on Friday.

Mr John Lord, a stockbroker and dissident shareholder, has mounted the challenge by mailing his own proxy voting form to shareholders. Initially he wanted to change the direction of the company, but he apparently now wishes to keep it in the resource sector. This, according to Tuskar is "an extraordinary about turn".

In his own letter to shareholders yesterday, Mr McGregor countered, saying that Mr Lord "has no operating experience of the natural resource industry", that his proposals for running the company "would not generate an early cash flow", and that "it could be a considerable time before dealings would recommence".

He said the board was "unequivocally committed to keeping Tuskar in natural resources". Retrenchment carried out by the board had placed the company in a net cash position, would bring new exploration opportunities to be announced shortly, and put the company in a position "where it will shortly apply for a recommendation of dealings".

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglo United	nil	Feb 12	0.2	-	0.85
Berkeley	1.85	Feb 12	1.5	-	5
Electronic Data	3.1	Apr 7	2.5	5.1	4.25
Polaris	2.5	Feb 25	2.5	4.5	4.5
Richards	2.93	Mar 3	2.93	4	4
Southend Prop	1.52	Feb 26	1.45	-	4.18
Tinsley (Eliza)	1.8	Feb 1	1.8	-	5.2
Tiphook	4.9	Jan 30	4.4	-	17.3

Dividends shown pence per share net except where otherwise stated. SUSM stock



Following the DIVIDEND DECLARATION by Ford Motor Company (U.S.) on 8 October 1992 NOTICE is now given that the following DISTRIBUTION will become payable on or after 15 December 1992.

Gross Distribution per unit 2-0000 Cents
Less 15% USA Withholding Tax 0-3000 Cents

Converted at \$1-58 1-7000 Cents
\$0.01075950

Claims should be lodged with the DEPOSITARY: National Westminster Bank PLC, Basement, Court, 24 Prescot Street, London E1 8BB on special forms obtainable from that Office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

Dated 15 December 1992

Temple Court Mortgages (No. 2) PLC

£150,000,000

Multi-Class Mortgage Backed Floating Rate Notes 2013

Class A1 £75,000,000 Class A2 £75,000,000

The rate of interest for the period 11th December, 1992 to 11th March, 1993 has been fixed as follows:

Class A2 is 7.71667 per cent. per annum payable at £190.27 per coupon.

Coupon No. 8 is payable on 11th March, 1993.

Class A1 aggregate principal amount of Notes outstanding as at 11th December, 1992: nil.

S.G. Warburg & Co. Ltd.
Agent Bank

U.S. \$100,000,000



Great Western Financial Corporation

Floating Rate Notes Due 1995

Interest Rate 5¼% per annum

Interest Period 14th December 1992

15th March 1993

Interest Amount per U.S. \$50,000 Note due 15th March 1993 U.S. \$663.54

Credit Suisse First Boston Limited
Agent

Wells Fargo & Company

US\$150,000,000
Floating rate subordinated notes due 1994

In accordance with the provisions of the notes, notice is hereby given that for the interest period 15 December 1992 to 15 March 1993 the notes will carry an interest rate of 5.25% per annum. Interest payable on the relevant interest payment due 15 March 1993 will amount to US\$131.25 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

U.S. \$600,000,000



Malaysia

Floating Rate Notes Due 2009

Interest Rate 5¼% per annum

Interest Period 14th December 1992

14th June 1993

Interest Amount per U.S. \$10,000 Note due 14th June 1993 U.S. \$265.42

Credit Suisse First Boston Limited
Agent

City of Stockholm
US\$325,000,000
Floating rate notes due 1999

Notice is hereby given that the notes will bear interest at 5.5625% per annum from 15 December 1992 to 15 March 1993. Interest payable on 15 March 1993 will amount to US\$8.91 per US\$1,000 note and US\$88.06 per US\$10,000 note and US\$880.63 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Toray Industries, Inc.

(formerly Toyo Rayon Kabushiki Kaisha)

S.G. Warburg & Co. Ltd. announce that a dividend of Yen 3.50 per share has been paid to shareholders on the books of the above Company as at 30th September, 1992 in respect of the six month period ended on that date.

Holders of Bearer Depositary Receipts issued by S.G. Warburg & Co. Ltd. may present Coupon No.20 for payment at:-

S.G. Warburg & Co. Ltd. Paying Agency, 2 Finsbury Avenue, London EC2M 2PA

Payment will be subject to deduction of Japanese Withholding Tax and in London, United Kingdom Tax (where applicable) at the appropriate rates. Details of tax deduction can be obtained from the Paying Agents.

15th December, 1992

U.S. \$50,000,000



Crédit Chimique

Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from December 15, 1992 to June 15, 1993 the Notes will carry an interest rate of 3¼% per annum. The interest payable on the relevant interest payment date, June 15, 1993 will be U.S. \$186.42 per U.S. \$10,000 principal amount and U.S. \$4,860.59 per U.S. \$250,000 principal amount.

By The Chase Manhattan Bank, N.A.
London, Agent Bank

CHASE

The Kingdom of Belgium
US\$400,000,000
Floating rate notes due December 1999

In accordance with the provisions of the notes, notice is hereby given that the rate of interest has been fixed at 3.5625% for the interest determination period 15 December 1992 to 15 June 1993. Interest payable on 15 June 1993 will amount to US\$1,801.04 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

BANQUE PARIBAS
US\$200,000,000
Undated floating rate securities

In accordance with the provisions of the securities, notice is hereby given that for the three month interest period from 15 December 1992 to 15 March 1993 the securities will carry an interest rate of 3.9375% per annum. Interest due on 15 March 1993 will amount to US\$9.84 per US\$1,000 security.

Agent: Morgan Guaranty Trust Company

JPMorgan

BANQUE PARIBAS
US\$400,000,000
Undated subordinated floating rate securities

In accordance with the provisions of the securities, notice is hereby given that for the interest period from 15 December 1992 to 15 March 1993 the securities will carry an interest rate of 3.8125% per annum. Interest payable value 15 March 1993 per US\$1,000 security will amount to US\$9.53 and per US\$10,000 security will amount to US\$95.31.

Agent: Morgan Guaranty Trust Company

JPMorgan

RHONE-POULENC S.A.
USD 300,000,000
UNDATED FLOATING RATE CAPITAL NOTES

Pursuant to the Terms and Conditions of the Notes, notice is hereby given to the Noteholders that USD 23,000,000 have been purchased. Nominal outstanding: USD 221,000,000.

THE PRINCIPAL PAYING AGENT
SOCIÉTÉ GÉNÉRALE
GROUP
15, avenue Emile Reuter
LUXEMBOURG

COMPANY NEWS: UK

Berkeley rides recession with 27% rise to £6.9m

By Paul Taylor

BERKELEY Group, the Surrey-based housebuilder, continued to buck the sector trend with a 27 per cent increase in first half profits; the interim dividend goes up 10 per cent.

The group also said it plans to increase its investment in the UK commercial property market through its joint venture with Saad Investments, subject to shareholder approval.

Pre-tax profits rose to £8.92m in the six months to October 31, against £5.43m last time.

Turnover expanded 47 per cent to £75.5m (£51.7m) with the number of house sales increasing 39 per cent to 468 (336) units.

Earnings per share increased to 7.5p (6.1p) and the interim dividend is lifted from 1.5p to 1.65p.

Both turnover and operating profits, ahead to £6.43m (£4.33m), include St George, the London-based builder, which became a 100 per cent subsidiary in September last year.

Mr Tony Pidgeley, chief executive, said the results had been achieved "in a housing market in which demand has been extremely uncertain and in which house prices have continued to decline with a consequent adverse effect on margins."

He said Berkeley Eastcoast Investments, the commercial property joint venture with Saad Investments, has so far invested £83m and is in the process of investing a further £22.4m.

Its portfolio of 56 properties has mainly blue chip corporate tenants and is producing an average net yield of 10.7 per cent.

Because of "the continuing acquisition opportunities arising out of the depressed conditions in the UK commercial property market," the joint venture partners plan to invest a further £100m, of which Berkeley's commitment will be up to £25m.

As with the initial £100m, the majority of this investment will be financed by bank loans.

COMMENT

The secret of Berkeley's success has been timing. It decided in late 1988 to liquidate the land bank and since then has operated a "buy-build" policy of acquiring small parcels of quality land, mostly for immediate use. As a result most of the land used during the first half was acquired in the last 18 months - at reasonable prices. The balance sheet is strong with shareholders funds expected to top £140m at the year end and £2m of net cash. The off-balance sheet joint venture in commercial property is structured in such a way as to minimise risks for shareholders and appears to represent a low risk speculative play with the potential for significant medium term capital gains. Even without improvement in the core private housing business, profits should top £15m pre-tax this year. The shares, which jumped 20p yesterday to 290p, are on a deservedly high prospective multiple of about 17. This is a stock to hold, or buy on signs of weakness.

Reshuffle should put Porth back into black

By Andrew Bolger

FESTIVE CHEER is still eluding Porth Group, the Welsh-based company which is Britain's biggest producer of Christmas decorations.

Porth has decided to close its main factory at Llwynypia, in Mid Glamorgan, and move its operations three miles away to Treorchy, alongside existing warehousing and distribution facilities. No jobs will be lost; the permanent workforce has already been cut by 55 to 156 in the current year.

Porth, which came to the USM in 1989, incurred a pre-tax loss of £1.34m last year, compared with £1.04m in 1990. The group said that, despite improved trading, it still expected to be in loss this year, particularly since there would be exceptional costs.

Mr John Miller, chief executive, said: "The outlook for 1993 is markedly improved following the move of the factory and, although an assumption has been made that consumer spending will not increase in 1993, a profit is expected."

Porth, which raised £978,000 from shareholders in the summer, has agreed funding arrangements for 1993 with its principal bankers, National Westminster, and said it did not intend to seek further funds next year for current operations.

The Welsh Development Agency has agreed to refurbish the new factory at Treorchy and the Welsh Office is seeking to preserve jobs by granting Porth £500,000 over three years.

Last year Porth appointed Sir Michael Edwards, former head of British Leyland, as its non-executive chairman and raised £3.5m in a rights issue.

The shares closed 1p higher at 54p, giving the group a market capitalisation of about £1m, compared with its flotation value of £13.8m.

Interest income buoys Electronic Data

By Alan Cane

ELECTRONIC Data Processing, the Sheffield-based computer systems and services group, produced sharply improved pre-tax profits in the year to September 30 boosted by higher net interest receipts.

The results were in line with analysts' expectations and the share price moved up only fractionally to close at 510p.

Turnover shrank by 11 per cent from £17.4m to £15.5m, the consequence, according to Mr Michael Heller, chairman, of "the continuing compression in the selling prices of hardware and the policy of the group to develop long term as a software publisher and services provider."

Profits before tax rose 20 per cent from £4.1m to £4.88m; trading profits rose by 8 per cent to £4.1m (£3.79) with a further £764,000 (£290,000) in net

Interest receipts.

Earnings per share were 17 per cent up at 38.4p (32.83p) and a final dividend of 3.1p is recommended to make a total of 5.1p, 20 per cent ahead of last year's 4.25p.

Cash balances at September 30 were £10.2m after spending nearly £2m on a new corporate headquarters in Sheffield.

EDP is a company in transition. It is moving away from hardware distribution towards software and services which last year contributed £8m to turnover.

Last year it spent about £250,000 on research and development, chiefly on the production of a new software product, Univision, a database management system which will operate under either of the "open" software environments, Unix or Pick.

The future of the industry, Mr Heller said, lay in open - or industry standard -



Richard Jowitt, left, managing director and Michael Heller

systems and the company's aim was to become a software publisher specialising in open products.

Trading conditions remained harsh and he confirmed analysts' views that profits would

be essentially flat in the present year. The company was looking for acquisitions and had identified suitable candidates for takeover, but would retain its cash pile until the moment was right.

UBS purchases London office

By Vanessa Houlder, Property Correspondent

UBS BANK of Switzerland has bought its London office building from Rosehaugh Stanhope Developments, the company jointly owned by Stanhope Properties and Rosehaugh, which recently went into receivership.

In effect, the deal pays off the £200m loan made by UBS on the building. UBS will also benefit from tax losses worth tens of millions of pounds.

UBS and UBS Phillips & Drew, its stockbroking subsidiary, occupy the 390,000 sq ft building in the Broadgate development. UBS pays an annual rent of £13m.

BP3, the RSD subsidiary that owned the building, incurred a net loss of £17.8m in the year to June 30 and had net assets of £15.1m. However, the value of City office buildings has since fallen sharply, according to Hillier Parker, the chartered surveyors, they have dropped 20 per cent over the past year.

UBS described the deal as further evidence of its firm commitment to its operations in London.

Mr Stuart Lipton, chief executive of Stanhope, said that following RSD's recent signing of a five year extension to its banking arrangements, the sale was further evidence of the stability of the group and the quality of its assets.

RSD is also in talks with Credit Lyonnais about the acquisition of the building it occupies.

Prudential ends involvement in commercial lines

By Paul Taylor

Prudential Corporation, the insurance and financial services group, is divesting the remainder of its commercial lines business in the UK.

The move follows its announcement in March that it would no longer sell general insurance in the UK through brokers, after losses of £77m in that business in 1991.

Prudential said it has reached an agreement with Kendal-based Provincial Insurance, the 13th largest general insurer in the UK with premium income last year of £331m.

Under the agreement Prudential will recommend its existing commercial policy holders to switch to Provincial when their policies come up for renewal after April next. Prudential will receive a commission for introducing new business based on the volume of business written by Provincial.

Wills debt-swap banks sell shares

By Nigel Clark

BANKS holding a third of the 5 per cent cumulative convertible redeemable preference shares in Wills Group, the engineering equipment distributor, have converted and sold their holdings at close to the market price. The ordinary shares were unchanged at 14p.

Holders of 878,000 preference converted into 8.78m ordinary, or 11.9 per cent of the enlarged equity, which were then placed at 12p a share.

The preference were issued when the banks swapped debt of £4.56m for 2.6m shares as part of a capital reconstruction in October last year.

Three of the eight banks involved converted yesterday. The remaining shares are convertible or redeemable no later than November 2001.

Mr David Massie, chairman, said it would be wrong to see yesterday's conversion as taking a loss - the original debt swap and conversion valued the ordinary at 19p. At the time of the swap there was a rights issue at 34p per share and the present price seemed a long way off, he said.

Wills Group, which has a turnover of £78m, is a constituent of the FTSE 100 index.

Pressure on margins at Polar

POLAR, the USM-quoted electronic components distributor, reported a marginal decrease - from £917,000 to £902,000 - over the 12 months to October 2.

Mr Keith Carnell, chairman, said that "very difficult trading conditions" had prevailed for the third successive year with reduced demand and "unprecedented pressure" on margins.

Nevertheless the group increased its market share with sales ahead 13 per cent to £17.4m.

Earnings per share emerged at 7.3p (7.4p); a recommended final dividend of 2.5p maintains the total for the year at 4.5p.

Pelican wades in with £357,000

In the half year to September 30, a period of expansion, the Pelican Group increased pre-tax profit from £131,000 to £357,000.

The USM-traded group, which owns and operates 15 restaurants, including the Cafe Rouge concept, and a wine bar in the Greater London area, generated the increases from turnover ahead 36 per cent to £3.83m. That, said Mr Roger Myers, chairman, reflected the economies of scale the group now enjoyed.

Prospects continued to improve. The Whiteleys and Kensington units were expected to make significant contributions in the second half.

Growth in earnings per share

was restricted to 73 per cent, from 1.1p to 1.9p, following the substantial increase in the number of shares in issue.

Southend Property dips to £1.28m

Pre-tax profits at Southend Property Holdings for the six months to September 30 showed a slight reduction, from £1.31m to £1.28m.

The sharp fall in turnover, from £36.8m to £18.2m, followed the sale of the main part of the interest in Hamlet International at the beginning of 1992 and the decline in sales of Mt Martin Gold Mines.

Earnings worked through at 0.73p compared with 1.13p but the interim dividend is increased from 1.45p to 1.52p.

Reorganisation lifts Eliza Tinsley

Reorganisation at Eliza Tinsley Group, the USM-quoted maker of hardware products, is paying off. Pre-tax profits for the half year ended September 30 showed a 43 per cent increase.

The profit came to £408,000, compared with £287,000 last time and with £510,000 for the full previous year.

Turnover declined from £7.71m to £7.47m, after a first quarter increase.

Earnings per share were 3.57p (2.5p) and the interim dividend is again 1.5p.

Net asset value falls 13% at Moorgate

Moorgate Investment Trust, which invests mainly in smaller UK companies, reported a 13 per cent fall in net asset value to 111.2p per

share at November 30, against 128.1p six months earlier.

Net earnings fell from £805,000 to £758,000 or from 2.88p to 2.7p per share. The interim dividend, however, is maintained at 1.7p.

Moorgate Smaller Companies Income Trust reported net asset value of 95.72p at October 31, down from 112p six months earlier.

Earnings per share for the six months to end-October were 2.08p (2.53p). The interim dividend is maintained at 1.5p.

Leopold Joseph, the merchant banker, said that net profits for the half year to September 30 were "somewhat higher" than in the comparable period.

Mr Robin Herbert, chairman, said that was satisfactory when taking into account the uncertain background. The growth followed a "useful increase" in activity, substantially derived from focused marketing initiatives.

The interim dividend is held at 3.1p, payable on January 2.

Narborough Plants higher at £162,000

Narborough Plantations, the Malaysian rubber and palm oil producer, reported pre-tax profits for the year to June 30 of £153,000 to £162,000.

Lower operating profits were offset by higher income from investments and an exchange gain rather than a loss.

Turnover was £335,000 (£372,000). Earnings per share were 0.99p (0.74p). The proposed final dividend is unchanged at 1p gross for a maintained total of 1.5p gross.

This announcement appears as a matter of record only.



Grupo Posadas, S.A. de C.V.

U.S.\$70,000,000
(equivalent amount)

Financing for construction of a Fiesta Americana Hotel in Mexico City and ten new Fiesta Inn Hotels in Mexico plus related corporate requirements

Arranged by
International Finance Corporation

U.S.\$53,500,000

Provided by
International Finance Corporation

and through participations
in the IFC loan by

Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V.

Swiss Bank Corporation

Crédit Suisse

GiroCredit Bank Aktiengesellschaft der Sparkassen

Banque et Caisse d'Epargne de l'Etat, Luxembourg

Banco Exterior de España

DM25,000,000

Provided by
DEG - Deutsche Investitions- und
Entwicklungsgesellschaft mbH

November 1992

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Beijing: new address: Judith Crobie, Office 5C, CITIC Building, 19 Jianguomenwai Dajie, Beijing 100004. Telephone: 010 861 506 3588. Fax: 010 861 500 1972.

NOTICE OF SPECIAL MEETINGS OF CERTAIN CREDITORS OF OLYMPIA & YORK DEVELOPMENTS LIMITED AND OTHER APPLICANTS PURSUANT TO THE COMPANIES' CREDITORS ARRANGEMENT ACT (CANADA)

NOTICE IS HEREBY GIVEN that special meetings of certain creditors (the "Creditors") of Olympia & York Developments Limited ("OYDL") and the other Applicants (the "Applicants") will be held on January 11, 12, 13, 14 and 15, 1993 for the following purposes:

- To consider and, if deemed advisable, to pass a resolution pursuant to the Companies' Creditors Arrangement Act (Canada) to approve a Plan of Compromise and Arrangement (the "Plan"); and
- To transact such other business as may properly come before the meeting and any adjournment thereof.

Claims (as such term is defined in the Plan) of Creditors have been divided into 35 classes (each a "Class") for purposes of the Plan. Meetings for each of the following Classes of Claims shall be held in L'Hotel, 225 Front Street, Toronto, Ontario as follows:

Class No.	Description of Class	Date of Meeting	Time of Meeting
Class 31	Marketable Securities Claims (Including Notes issued by Olympia & York Commercial Paper II Inc. and Debentures issued by Olympia & York Eurocredit Limited)	January 14, 1993	1:00 p.m. (Toronto time)
Class 2	First Canadian Place Claims (Series 1, 2 and 3 Bonds of Olympia & York First Canadian Place Limited)	January 15, 1993	8:00 a.m. (Toronto time)
Class 28	Claims of Unsecured Creditors	January 15, 1993	2:00 p.m. (Toronto time)

An Information Circular, together with a copy of the Plan and forms of proxy and certificates of beneficial ownership required for voting at the Meetings, will be mailed on or before December 18, 1992 to all known creditors of the Applicants. Copies of such documentation also will be available for pick-up by Creditors after December 18, 1992 at the following locations:

The R-M Trust Company
393 University Avenue
5th Floor
Toronto, Ontario M5G 1E6

Bank of Montreal
11 Walbrook
London EC4N 8ED
England

Creditors requiring assistance with completion of proxy documentation to entitle them to vote at a Meeting may call The R-M Trust Company at (416) 813-4610; fax (416) 813-4553.

This notice of meeting is being given by OYDL on behalf of all of the Applicants. DATED at Toronto, Ontario this 14th day of December, 1992.

OLYMPIA & YORK DEVELOPMENTS LIMITED

Joint Venture Agreement HUTA L.W. Sp. z o.o. STEEL MANUFACTURING

LUCCHINI S.p.A.
Brescia, Italia

HUTA WARSZAWA
Warszawa, Polska

EC SHARE PROGRAM within the Industrial Development Agency (AGENCJA ROZWOJU PRZEMYSŁU S.A.)

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THE REPUBLIC OF POLAND Ministry of Industry and Trade Ministry of Privatisation

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Legal Advisers
Warszawa

LEGAL NOTICE

IN THE MATTER OF THE HIGH COURT OF JUSTICE OF THE UNITED KINGDOM
CHANCERY DIVISION
IN THE MATTER OF THE COMPANIES ACT 1985
and
IN THE MATTER OF THE COMPANIES ACT 1985

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COMPANY NEWS: UK

Third prong goes for the balance sheet

Andrew Jack considers the expected impact of Fred 3 on capital instruments

GURUS IN some of the City's better-known financial institutions have been heard to answer the telephone in recent years with three revealing and unsettling words: "Financial engineering department."

Their raison d'être is to produce haemorrhagic capital instruments, the chameleon-like hybrids which often exhibit all the characteristics of debt.

By taking advantage of loopholes in existing accounting rules and company legislation, they are able to make these instruments appear on the balance sheet as equity, thus keeping them out of the reach of the ASB's new standard on cash flow, replaced the old source and application of funds statement. FRS 3 dealt with the profit and loss account. Now Fred 3 begins the assault on the balance sheet.

"We had to act," he says. "One of the biggest problems for auditors was the shifts between debt and equity of these instruments. It was getting to ridiculous proportions."

At the heart of Fred 3 is a simple boxed statement drawn from the ASB's statement of principles, which defines liabilities as "an entity's obligations to transfer economic benefits as a result of past transactions or events". That turns most instruments into debt.

The standards-setters hands were partly tied when it came to shares and their derivatives, which cannot be defined under the present law as liabilities. The result is six categories into which capital instruments will be classified:

- shareholders' funds: equity and non-equity interests
- minority interests in subsidiaries: equity and non-equity interests in subsidiaries
- liabilities: convertible and non-convertible liabilities.

Fred 3 also incorporates into a standard the first ruling from the ASB's urgent issues task force issued in July last year, which deals with the treatment of supplemental interest or premium on convertible bonds. It says that these elements should be charged annually to the profit and loss account from inception.

An illustration of the impact of the new standard is shown by BET, the business services company. Its 1991 annual report simply shows £189m in share capital and £437.4m in the share premium account. The 1992 accounts have been re-cast along the lines suggested by Fred 3. The 1991 accounts now show equity shareholders' funds of £186.1m, and £189.9m in the share premium account. Non-equity funds, in the form of preference shares, total £287.4m, including just £2.9m for the nominal value of the shares.

Theoretically, readers of accounts could always have calculated the contribution from preference shares for themselves. The awkward reality is illustrated by the 1991 Ratners accounts. The balance sheet shows called up share capital of £66.2m and a share premium account of £356.3m.

These figures are linked to three tightly-worded pages in the notes which list the six different authorised types of convertible equity instruments, such as 38m 6.75p convertible cumulative non-voting redeemable preference shares. Those allotted are shown simply at their par value, making the market value of each extremely difficult to calculate.

BET Capital and reserves in year to March 30 1991

In annual report 1991	£m
Share capital	189.0
Share premium account	437.4
Revaluation reserve	56.0
Other reserves	(785.3)
Profit and loss account	572.8
Associated undertakings' reserves	2.9
Minority shareholders' interests	472.8
	23.3
	496.1

In annual report 1992 - restated in accordance with Fred 3

Equity shareholders' funds:	£m
Ordinary share capital	186.1
Ordinary share premium	189.9
Revaluation reserve	56.0
Other reserves	(785.3)
Profit and loss account	572.8
Associated undertakings' reserves	2.9
	185.4
Non-equity shareholders' funds:	£m
Preference share capital	2.9
Preference share premium	287.4
	290.3
BET shareholders' capital and reserves	475.7
Minority shareholders' interests	23.3
Total capital and reserves	499.0

BET shareholders' capital and reserves

Minority shareholders' interests	£m
	23.3
Total capital and reserves	499.0

Minority shareholders' interests

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Minority shareholders' interests

Total capital and reserves

European Finance and Investment: Italy

Tuesday December 15 1992

Privatisation has quickly gained a place in the financial lexicon with state-owned banks among the first destined for disposal. Will big foreign banks be allowed to bid? Not even the timing has been set yet, writes Haig Simonian

New word in the language

SUDDENLY, an unfamiliar, and until recently, slightly suspect, word has entered Italian banking vocabulary. Privatisation, a pillar of the new Amato government's strategy to tackle the huge budget deficit, has quickly gained a place in the financial lexicon.

State-owned banks are among the first assets for disposal. Selling the three banking stakes controlled by IRI, Italy's biggest state holding company, will go a substantial way to plugging the gaping hole in the overborrowed group's accounts, which now show consolidated debts of over L60,000bn. Disposals of other companies such as Istituto Mobiliare Italiano, the big Rome-based financial services and insurance group, or subsidiaries of capital-hungry Banca Nazionale del Lavoro could change the banking scene even further.

Privatisation could also usher in a new era in Italian banking by freeing banks from decades of political interference. That would liberate management to make key decisions on expansion or takeovers on the basis of market forces, rather than traditional political horse trading and the need to share patronage among the main parties. Already, liberalised rules on branching mean that consumers have gained

far greater choice in their banking relationships by subjecting the banks to increasing competition.

The past year has already seen limited steps in the direction of the market, with the flotation of minority stakes in two public sector banks. Banco di Napoli, the first, quoted around 20 per cent of its ordinary shares in November 1991. Last January, the process took a hefty step forward with the L1,250bn initial public offering of 20 per cent of the shares in Istituto Bancario San Paolo di Torino, now Italy's biggest bank in terms of assets.

The prospect of selling Credito Italiano, the first of the IRI banks due to be privatised, Banca Commerciale Italiana and IRI's remaining 35 per cent stake in Banca di Roma has already created a new wave of uncertainty in banking circles.

So far, there are far more questions than answers. Who will buy the shares? Will the government opt for broad public flotations, possibly buttressed by a "hard core" of domestic institutional investors, or look to single buyers? If the latter, will the Bank of Italy tolerate purchases by big foreign banks keen to expand in Italy, which are the most obvious, but least acceptable, bidders? Or will the central bank pull out all the stops to encourage further concentra-



The Bank of Italy in Rome: will the central bank encourage further concentration of the domestic banking system?

tion of the domestic banking system before letting outsiders pick up some of Italy's financial flagships?

Not even the simplest question, timing, has been answered yet, although many bankers expect IRI to sell its 67 per cent of Credito Italiano in the early months of 1993.

Privatisations, due to raise L57,000bn for the government over the next three years, also imply other changes. None more so than in stimulating the stock market. In spite of a series of new laws reforming share trading, banning insider dealing and setting out new rules on takeover bids, the Milan bourse has remained a sorry place this year.

Turnover, although stimulated in the past two months by speculation over possible privatisation stocks, remains relatively low, if above the depressed levels of July and August. Not even a concession by the government — to suspend the highly unpopular capital gains tax until next September for most private investors — has been enough to revive sentiment.

If the creation of a broad share-owning public is the government's aim, then stronger action will be necessary to boost equity trading. Attempts to introduce tax breaks for long-term private investors have so far proved confused, while legislation to create pen-

sion funds, which would pump new institutional money into the market, is moving forward, but not fast enough.

However, ministers still balk at the biggest single reform to redress the imbalance between government bonds, which retain strong tax advantages for investors, and shares. Removing some of the tax breaks on treasury bills — the most popular form of short-term savings instrument — could greatly bolster the equity market. But tampering with the flow of private savings into funding the government deficit is a reform that few ministers would risk taking.

Meanwhile, the prospect of

privatisation has added to the already considerable uncertainty surrounding many of Italy's leading banks by throwing new, and unexpected, cards into the air.

The process of concentration to create fewer, bigger banks with nationwide coverage and the fullest range of services has been edging ahead under two champions. While San Paolo has consolidated its position in wholesale banking through the takeover of Credito, the treasury-owned medium to long-term lending institution, the new Banca di Roma has already become Italy's biggest bank in terms of branches.

Formed from the three-way

merger of the Rome savings bank — very much in the driver's seat — Banco di Santo Spirito and Banco di Roma, the new group is expanding aggressively. Yet even its horizons are clouded by the question of who will buy IRI's 35 per cent stake.

Similar uncertainty surrounds many other big public sector banks, irrespective of whether they are on the privatisation list or not. Plans to sell IMI to Italy's savings banks, led by Cariplo of Milan, may reach fruition by the end of 1992 after almost two years of volatile talks. Yet even in the closing weeks before the government's year-end deadline for the deal, which is a major element in this year's scheduled income from asset sales, new doubts have complicated the transaction.

Almost as much uncertainty troubles BNL, the big treasury-owned bank whose reputation is still reeling from the disclosure three years ago of huge, unauthorised loans to Iraq from its Atlanta branch. Although BNL's need for a recapitalisation has grown no less urgent with the passage of time, the source of its essential new funds remains as fuzzy as ever.

The problems at BNL, which has gone some way to improving earnings and removing the stigma of Atlanta under its new management, has been exacerbated by the well-publicised decision by Ina, the state-owned insurance group which is another prime privatisation candidate, to divest its 20 per cent stake in the bank. Disposing of the BNL shares is a virtual precondition to floating Ina, which also has a substantial holding in IMI.

Rather than throwing in its lot with BNL, as was widely expected, Ina decided earlier this year to seal a cross-marketing pact for banking and insurance products with Banca di Roma. The alliance, one of a string of recent agreements in "bancassurance" which have already linked Generali and RAS with BCI and San Paolo with the Fondiaria group, is likely to be followed by other bank-insurance ties.

Such alliances highlight the

IN THIS SURVEY

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- Commercial banks: boom with no end in sight Page 2
- Bond market: "too early" Page 3
- State debts: ERM upsets the bankers Page 3
- Finance for industry: aide in lira will lead to casualties Page 4
- Credito Emiliano: beacon of efficiency Page 4
- Savings sector: resistance to merger plans Page 5

degree to which many of the pieces in Italy's new jigsaw of financial services are closely interlinked. And at some stage, the authorities will also need to turn their attention to the south, where Banco di Napoli, Banco di Sicilia and Banco di Sardegna all probably need to find new partners.

Matters are no clearer in the private sector. Recent weeks have been decisive for Banco Ambrosiano Veneto (Ambroveneto), now Italy's biggest private sector bank, following the decision by two of the five institutions controlling its shares to pull out. Meanwhile, Banca Nazionale dell'Agricoltura, previously the country's largest private sector financial institution, continues to be beset by poor profitability which has raised growing doubts about the ability of its controlling shareholder to maintain the bank's independence.

Against this background, Italy's banks face the problem of declining loan quality as a result of the growing recession. The fall in corporate profits and the rising payments difficulties of business customers mean that banks will have to make much higher lending provisions when they report their 1992 results. Add to that the prospect of hefty write-downs caused by the collapse in prices ahead of September's currency turmoil and the likelihood of sharp losses on the value of banks' equity holdings, and the overall picture emerges of Italian banking at the crossroads, facing great opportunities one way and unprecedented difficulties and uncertainty in the other.

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Our Annual Report is readily available from our Group External Relations Department, Piazza Paolo Ferrari, 10 - 20121 Milano - Tel. (2) 85941 - Fax (2) 86461049 - Telex 482663 BAV CT I.

**Banco
Ambrosiano Veneto**

BANCO AMBROSIANO VENETO. ITALY'S LEADING PRIVATE BANK.



EUROPEAN FINANCE AND INVESTMENT: ITALY 2

Why the lira has been kept in free float since September

No hurry to re-enter the ERM

B RITAIN AND Italy are both in the same boat with their currencies floating outside the European Community's exchange rate mechanisms. Yet in public their respective positions on re-entry are diametrically opposite.

The British, consistently reluctant to surrender the ultimate initiative on monetary policy, insisted at the outset that they were in no hurry to return to the ERM. In contrast, the Amato government immediately said it would seek re-entry as soon as possible.

The Italian view was not surprising. Being inside the ERM has always been seen, at least by the Bank of Italy, both as a necessary discipline and an essential element in the battle against inflation. The politicians for their part never seriously worried about surrendering sovereignty to Brussels because Italy had always been a committed European and federalist in outlook.

With the financial markets remaining unsettled, the positions of the two countries in practice have become much closer. It suits neither to re-enter the ERM in a hurry - at least in its present form. Both the Bank of Italy and the Italian treasury have said as much in recent weeks.

Indeed, it has been advantageous for the

Italian authorities to keep the lira in free float since September, benefiting from what one newspaper called the "serenity of the excluded". The Bank of Italy has not had to intervene to support the lira which has been allowed to seek its own level without a formal fixing and, as in Britain, interest rates have begun to come down.

It is now known that the defence of the lira cost the Bank of Italy L30,000bn in reserves and that support from the Bundesbank and Belgian central bank was to the tune of L27,330bn - the bulk coming from the Germans. At the end of September net reserves had fallen to their lowest since 1973, standing at L32,917bn against L108,581bn 12 months before. By the end of October they had climbed back to L44,157bn.

For almost three weeks after the lira was devalued by 7 per cent against the D-mark, the currency appeared to be in free fall. At one stage the lira was being quoted close to 1,000 against the D-mark. However, the Bank of Italy proved right in

its judgment that was an offshoot which would be corrected and by late October the parity had fallen back. In recent weeks it has been oscillating between L850-880 - equivalent to a 15 per cent devaluation against the D-mark.

The Italian authorities remain bitter about the way that the lira was forced to devalue alone on the weekend of September 12-13, convinced that a major opportunity was lost for a more general realignment of the ERM (and a consequently more responsive drop in German interest rates). The Bank of Italy in particular had linked the credibility of its policies to defence of the lira within the ERM. Although obliged by circumstances to reverse this position, the Italians have good justification to say they were given insufficient support from its EC partners and the subsequent turmoil was the price paid by everyone.

At the time of being forced out of the ERM, the government insisted this would be a temporary status and that Italy would

return as soon as possible. Their commitment to the ERM was undoubtedly genuine, but the authorities also emphasised it for the very practical reason that they needed to sustain international credibility amid fears that fiscal policy might be relaxed and inflation return as a result of devaluation. The same thinking lay behind the subsequent request for an ECU8bn stand-by facility from the EC.

No timetable was formulated in public; but unofficially, the government believed it would be able to seek re-entry once the 1993 budget had been approved, the EC loan had been negotiated and the currency markets had settled to give a stable judgment of the lira's parity. Initially, this pointed to somewhere between mid-December and early January.

The 1993 budget, raising an extra L93,000bn in fresh taxes and revenues, will have gone through parliament by the time this survey appears. Although the 1993 public sector deficit will only be held down to this year's levels, equivalent to over 10.5

per cent of GDP, for the first time structural changes have been introduced to curb spending. These will affect four key areas which have traditionally drained the treasury - public health, pensions, the civil service and local administration. The reforms will also have a cumulative effect in ensuring years.

Clear evidence of tackling the budget deficit has been, and will continue to be, a pre-condition for Italy's credibility in the markets. Indeed, one of the main factors behind the weakness of the lira was the markets' view that not enough was being done to tackle Italy's deteriorating public finances.

The Bank of Italy has been able to cut the discount rate twice since the high defence rate of 15 per cent introduced in September. At 13 per cent, rates are still high and must come down further. Nevertheless, each percentage point reduction reduces by nearly L15,000bn the annual cost of debt service - a cost which next year will account for the entire public

sector deficit.

But the other conditions for re-entry have yet to be satisfied. Negotiations on the EC loan have been slow and the currency markets have far from settled. Added to this, the very nature and stability of the ERM have come into question, and the lira's re-entry is an integral part of this issue. Italy, after all, has been able to devalue by a far greater percentage than would have been permitted by its partners back in September as part of a broad EC currency realignment.

France, for instance, is concerned that with Italy accounting for almost 14 per cent of its total imports, the lira enjoys too great a competitive edge on its current devaluation. On the other hand, the lira cannot re-enter at a parity which the markets would deem as too high. This would merely prompt speculation - and perhaps force the Italian currency once again out of the ERM, and so further damage the credibility of the system as a whole.

This suggests that without a change in the ERM rules, Italy may find it more convenient to keep the lira floating while stating it wishes to join the system "as soon as possible".

Robert Graham

More than one bank branch opens every day, reports David Lane

Boom with no end in sight

The top 10 banks (figures in \$m)

	Capital	Assets	Pre-tax profits
Cariplo	5,973	108,076	995
Istituto Bancario San Paolo di Torino	5,968	178,243	1,258
Banco Nazionale del Lavoro	5,544	124,854	247
Monte dei Paschi di Siena	4,929	106,544	714
Banco di Santo Spirito	4,903	54,916	444
Istituto Mobiliare Italiano	4,074	38,320	250
Banco Commerciale Italiana	3,854	101,688	548
Banco di Napoli	3,759	83,952	305
Banco di Roma	3,473	69,368	198
Credito Italiano	3,076	81,963	492

Source: The Banker (September 1992)

advantageous for both partners. Our large branch network is ideal for distributing insurance products, while the bank's presence within INA's organisation strengthens its financial activity.

Mr Geronzi sees the expansion of the large banks like his own as necessary and inevitable for the creation of truly national banks able to offer a full range of services to a broad customer base throughout the country. He expresses serious reservations, however, about the expansion of small banks.

Many small and medium-sized banks, he believes, have opened in Rome and Milan for image only. "Opening sporadic branches does not create networks. The competition they offer has no rational basis, and will certainly not help their profit and loss accounts. The newcomers are engaged in a price war to obtain marginal, high-risk business."

The central bank probably has similar thoughts. The analysis it published earlier

this year showed that small and medium-sized banks appear to have satisfied their expansionary aims, or that the authorities consider their expansion sufficient. Having won approval for 1,533 new branches in 1990, they received the go-ahead for only 723 last year.

Though like Banca di Roma, it is a front-runner in its branch expansion, Turin's Sanpaolo has been one of the least aggressive of Italy's large banks. In the first half of the

year Sanpaolo and its Lombardy subsidiaries Banco Lariano and Banca Provinciale Lombarda recorded net openings of only 27 new branches. Even so the group, with just over 800 branches at the end of June, operates one of the biggest networks in Italy. Sanpaolo alone will have almost 500 at the end of the year.

The bank has chosen a sharply focused expansion programme, rather than saturation. "Above all, Sanpaolo has been concerned with consolidating its presence in its home areas of Piedmont, the Valle d'Aosta and Liguria, and in the large conurbations of Turin, Milan, Genoa, Rome and Naples. New branches aim to fill gaps in the market and in the operations of existing branches," says Mr Gianni Zandano, Sanpaolo's chairman.

Mr Zandano explains that branch expansion is a crucial element to achieve the aim of

boosting retail activity and strengthening deposit-taking among small and medium-sized customers. Like other banks, in the increasingly competitive Italian banking environment, Sanpaolo's new branches are predominantly *spiccioli leggeri*.

Formerly a public law credit institution, Sanpaolo started 1992 in its new form of joint stock corporation and soon made news with the first large-scale partial banking privatisation. Its public offer of 20 per cent of ordinary stock in March was heavily oversubscribed.

When its transformation was undertaken at the end of last year, the Sanpaolo had taken its stake in Credito, the Rome-based medium and long-term institution formerly controlled by the Treasury, to 89 per cent. This represents a major investment. Sanpaolo aims to exploit its own branch network to boost Credito's business, with small and

medium-sized companies.

Credito will feature in an important rationalisation exercise in the first half of 1993, when its Credipar investment banking arm will be merged with Sanpaolo Finance. "The two companies are well matched," says Mr Zandano. He adds that own resources of L500bn and new wide-ranging articles of association will give the operation a sharp competitive edge.

Sanpaolo's strategy appears to be paying off. "In conditions that are certainly not easy, the Sanpaolo closed the first half of the year with excellent results that have been confirmed by figures at the end of September," notes Mr Zandano. Contribution margin and gross operating margin were respectively 21 and 39 per cent higher than at the same stage last year.

Sanpaolo could be among a minority when banks close their books at year-end. Many bankers expect poor figures and an out-turn worse than 1991. Aggregate statistics from the central bank show that the banking system's net profits slipped by 3.8 per cent last year. Though there was a slight improvement in gross operating profit, which rose by 1.1 per cent, given 6.4 per cent inflation, this was a decline in real terms.

With economic difficulties becoming evident, provisions for bad loans are likely to increase. Already last year the adjusted ratio of default to lending worsened, from 5.5 to 5.9 per cent. "Even in Italy the deterioration of assets has now become a concrete reality," observes Mr Zandano, pointing to the downturn in the economic cycle and the delayed effects of the 1989-90 lending boom as the reasons. However, while circum-

stances are making them give even closer attention to the accounts, it is unlikely that Italian bankers will let opportunities slip. With privatisation offering scope for interesting operations, bankers will be keeping their eyes skinned and ears open.

After two major takeovers there is speculation that Banca di Roma may still want to grow by acquisition. Mr Geronzi scotches such rumours, emphasising that

With privatisation offering scope for interesting operations, bankers will be keeping their eyes skinned and ears open

Banca di Roma will have reached its definitive banking structure by the end of next year and has no large banking operations in mind. And its controlling shareholder, the Cassa di Risparmio di Roma, is not a candidate for the 35 per cent stake that the IRI state holding corporation will sell. "But we would be very happy if a foreign shareholder acquired this stake," remarks Mr Geronzi.

Will Banca di Roma be a detached observer when the Treasury sells INA? Mr Geronzi says that the bank's agreement with the state-owned insurance company is strictly commercial, contractually watertight and not at risk. But it is hard to envisage the bank standing quietly on the sidelines when INA is privatised. Operations like this promise to add colour to Italian banking in coming months, contrasting with the dull tones of banks' accounts.

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The futures market gets under way

High point in a hard year

D ESPITE being the largest bond market in Europe, the Italian market has been rather slow to develop more sophisticated financial instruments based on bonds.

So the development of a domestic futures market counts as a high point in what has otherwise proved a difficult year for the Italian bond market.

Mif, the Mercato Italiano Futures (Mif), was launched in September, at a time when the bond market was particularly volatile and trading volume unusually high. Mif added a 10-year bond futures contract to the existing Telematico screen-based system, which is used for government bond trading.

The new market attracted a fresh domestic investor base, which had not previously traded futures.

The new market succeeded in attracting a fresh domestic investor base, which had not previously traded futures. In addition, Mif won some business from the London International Financial Futures Exchange (Liffe).

Liffe launched its highly successful 10-year Italian government bond contract in September 1991, and saw off a rival contract launched by the Matif, the Paris-based exchange.

The contract helped bring more sophisticated investors, including arbitrage players, into the Italian market. In June, the Liffe contract traded an impressive average daily volume of 29,000 contracts in June.

Since the launch of Mif, Liffe's market share has fallen to 60 per cent, currently around 3,000 contracts a day, following a decline in volume

due to the market's fall from favour.

The Italian market is unusual in supporting two actively-traded competing financial instruments based on the 10-year area, because it is easier to hedge through existing contracts.

He argues that the longer end of the yield curve should be more upward sloping, reflecting uncertainty on such issues as the budget deficit.

Some dealers believe the new contract will help attract more international business to the Italian exchange.

"Most international players have stuck with Liffe, because they are more familiar with it," says one Italian trader familiar with both markets. "But the five-year contract will give investors the chance to play the yield curve."

The contract will also be of use provide a vital new hedging instrument for swap traders.

Mif is also planning to develop a three-month interest rate future, similar to that traded on Liffe.

The introduction of the five-year bond contract could also have an effect on the shape of the Italian yield curve. Currently, the yield curve is

flat. However, Mr Steve Major, a bond analyst at Credit Lyonnais Securities, believes that the flatness of the yield curve has been exaggerated by the concentration of activity in the 10-year area, because it is easier to hedge through existing contracts.

He argues that the longer end of the yield curve should be more upward sloping, reflecting uncertainty on such issues as the budget deficit.

Tracy Corrigan

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The state's debt problems

Efim upsets the bankers

ITALY IS fast acquiring a reputation as unreliable among international bankers. The collapse of Federconsorzi, the farm services group, followed by the ugly dispute over Efim, which went into voluntary liquidation in July this year, have tarnished the country's reputation as a borrower.

The Efim affair remains unresolved as far as many bankers are concerned. Six months after the state holding group - which controls about 140 companies ranging from helicopter makers to glass manufacturers - collapsed, foreign bankers still have not received any of the money that they are owed.

Privately, foreign banks warn that Italian state borrowers could find it hard to raise money in the international syndicated loans market in future unless they are prepared to pay handsome terms for the privilege.

Eighteen months ago, international banks clashed with the Italian authorities over Federconsorzi, the farm services group which went under with debts of 14,000bn.

International banks claimed that Federconsorzi had been able to borrow in the syndicated loans market on relatively favourable terms because it was regarded as a

state credit to all intents and purposes. They were furious when the Italian government refused to repay Federconsorzi's debts. Many - including the Japanese banks which had a large exposure to Federconsorzi - refused to lend to Italian names in protest.

When Italian borrowers were eventually able to return to the market, pricing on their loans increased to reflect banks' concern over Italian credits.

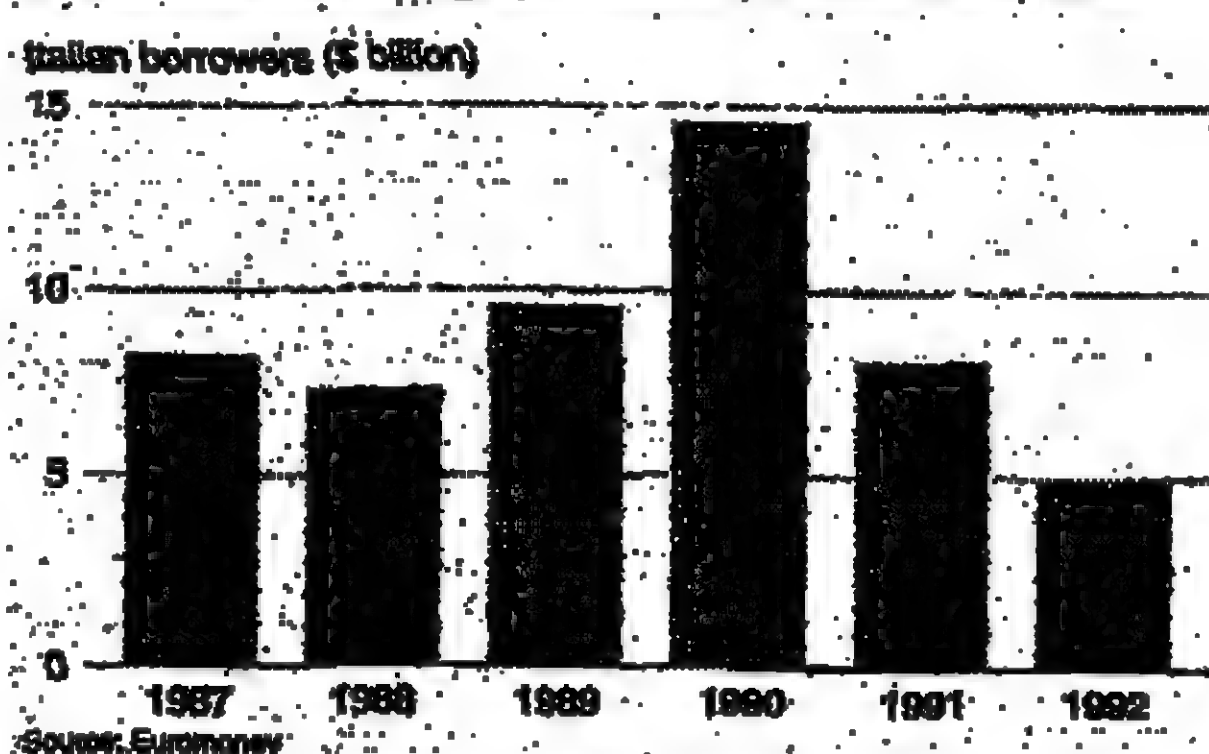
However, few lessons seem to have been learnt from that affair. Efim was put into liquidation by government decree on July 18 with total bank borrowings of about 18,500bn, of which nearly 14,000bn is owed to foreign banks.

The Italian treasury announced shortly afterwards that creditors would be issued bonds denominated in either Ecu or Lira and paying interest at only about half the market rate - an offer worth about 14,000bn. The proposed coupon on the Lira bonds was 7.25 per cent while that on the Ecu bonds was set at 4 per cent.

The banks were furious at the miserly coupons, saying that the overall deal was equivalent to only 80 per cent of the principal and interest due.

The creditor banks argue that Efim, and its subsidiaries Agusta and Safim, were able to

International syndicated loans market



borrow in the international loans market on competitive terms. Agusta and Safim were treated as state risks, even though there was no explicit Treasury guarantee.

After several weeks of lobbying, the state eventually relented and agreed to repay the debts in full. However, banks complain that they have had no further details of how they will be repaid or when.

Under the terms of the latest decree, the Treasury will guarantee in full those loans made to the failed holding company and its wholly-owned subsidiaries, also in liquidation. However, foreign bankers remain uncertain over the implications for loans made to those subsidiaries which are not wholly-owned by Efim, such as the Agusta helicopter group.

The Italian government said in October that Efim's loss-making aerospace and defence interests would be transferred to IRI (Italy's largest state holding group) to be managed, pending their sale. These include Agusta and Oto Melara, a missile producer. The government has said it will take on the debts owed by Agusta and Oto Melara.

The Efim debacle has coloured bankers' perceptions of Italian risk. Many argue that the clumsy handling of its debt repayments could make bankers reluctant to lend to other state-controlled names, such as IRI.

Certainly, Italian names have been frequent users of the international syndicated loans market in the past. Total syndicated borrowing reached a peak of \$14.69bn in 1990, falling back to \$3.03bn in 1991 and a mere \$4.95bn so far in 1992, according to figures provided by Euromoney Loanware.

Bankers point out that several loans to IRI, ENI and ENEL, the state holding companies, are due to mature in

the next year or so. It could turn out to be expensive and difficult to refinance these borrowings in the loans market.

The top state-owned borrowers, such as Ferrovie, the railway, and ENEL, the electricity utility, have traditionally had easy access to a range of financial markets - so if the syndicated loans market is closed off to them, they can tap other markets such as the bond market instead. But small financial institutions which have depended on the syndicated loan market in the past could find other sources of funds difficult to obtain.

Bankers report that few Italian state borrowers are willing to approach the syndicated loans market while the Efim affair drags on. Coming after the Federconsorzi scandal, bankers are naturally even less willing to lend to Italian state names at a time when the economic background in Italy appears to be deteriorating.

Leviner, the Italian credit institution, recently launched a \$150m floating rate note (FRN) issue, and bankers point out that the generous terms of the deal reflect the need to overcome a general uneasiness about Italian borrowers.

However, not all have been treated in this way. Fiat, Italy's largest private industrial conglomerate, recently succeeded in raising the amount borrowed via a five-year revolving credit facility to \$800m from the \$500m it had originally planned. The pricing - of 55 basis points over the London interbank offered rate - was seen as relatively aggressive. Bankers point out that Fiat is one Italian name that has not been damaged by the Efim affair.

In many cases, however, bankers are waiting for the resolution of the affair before they rush to lend to Italian names.

Sara Webb

Why the market is likely to take some time to pick up

'It's too early for bonds'

THE ITALIAN bond market currently represents something of a conundrum for investors.

International investors have been badly burnt by volatile market conditions, including a currency devaluation, this year. Worse, they are still not at all convinced that the structural problems facing the Italian economy will be overcome. Many of them are biding their time before re-entering the market, at least until they feel more confident about the stability of the currency.

Yet Italy offers among the highest real rates of interest in Europe. At current levels, the market may well prove to be oversold, and when the German Bundesbank starts to cut interest rates, Italian bonds will be among the beneficiaries.

Still, investor confidence is not yet close to being restored. "Given the continuing tensions and strains within the exchange rate mechanism, it is a bit early to consider moving back into Italian bonds," believes Mr Nick Henderson, head of fixed interest at Gartmore, which sold all its Italian bond holdings eight months ago.

Mr Ray Greenshields of AMP Asset Management says that he is watching the market with interest "but our fingers are not poised on the trigger."

"We need to have a lot more confidence in the fiscal and monetary management of the country before we would go in as a physical investor". He adds that the use of options on the market has been considered, but even that route has been thought to be too risky.

One London-based securities firm, once fairly active in the market, no longer has any clients holding Italian bonds, according to a trader there. "We still trade on our own account, but there is no investor interest at all," he says.

The largest government bond market in Europe, and the third largest in the world after the US and Japan, Italy is caught in a debt-trap.

Its public debt versus gross domestic product ratio, currently 103 per cent, is set to

rise further, unless the government manages to bring the budget deficit under control.

There are signs that it has the will, but even when the budget deficit reduction programme is approved, it will still be hard to convince investors that the policy will be rigidly imposed, given the country's history of political instability.

But the Italian government's financing needs leave little room for manoeuvre. Unlike the UK, Italy has not been able to benefit from its withdrawal

from the Italian government's point of view, the continued goodwill of domestic investors is vital. Despite a huge surge of international interest in Italian bonds in recent years, international investors still account for only 7 per cent of the market, mostly fixed-rate Buoni del Tesoro Poliennali (BTPs).

International investors still have to pay withholding tax on Italian government bonds (since the mechanism for reclaiming tax still fails to function) so that 10-year bonds yield 12 per cent for

back into Italian bonds within the next six months," says one London-based fund manager who declined to be quoted. "The market has had a tempestuous time and that has made it much cheaper, compared with other European markets. The currency may well devalue further, but that is not necessarily bad news for bonds, in lira terms. So we would hedge out the currency risk."

Some managers have also lost confidence in the liquidity of the market. Despite its size, the market's volatility has made it one of the most difficult to trade. When short-term interest rates shot up, positions taken by dealers became very expensive to hold. As dealers found themselves losing money on the market, they gradually stopped making prices and liquidity in the cash market disappeared.

Some investors were not only unable to sell their bonds, they were not even able to get prices. When prices were quoted, the market jumped in gaps of as much as two points.

While stability has now returned to the market, investors and traders are likely to maintain a wary stance for some time to come.

Tracy Corrigan

Some managers have lost confidence in the liquidity of the market. Despite its size, volatility has made it one of the most difficult to trade. When short-term interest rates shot up, dealers found themselves losing money. They gradually stopped making prices and liquidity disappeared.

From the exchange rate mechanism by drastically cutting interest rates, because without high interest rates, it will not be able to fund its deficit.

However, unless interest rates fall, servicing of the public debt will continue to eat up a large part of government revenues.

Although Belgium has an even larger public debt relative to GDP, at 133 per cent, analysts point out that, unlike Italy, Belgium's debt ratio is moving in the right direction.

Nevertheless, Mr Giorgio Radaelli, an international economist at Lehman Brothers, believes there is some room for optimism on the bond market's prospects. "In the long run, the outlook is for rates to move downwards," he says. He believes that the debt ratio will be stabilised and that European economic union is still likely to go ahead, with Italy as a part of it.

He points out that, while Italy may not meet Maastricht targets on debt levels, Belgium is not likely to either, and it is inconceivable for union to take place without Belgium.

"Domestic investors are more bullish on Emu (than international investors)," says Mr Radaelli.

international investors, compared with 13.7 per cent for Italians.

Still, with inflation at just under 5 per cent, the rates would be attractive, were it not for continued concern about the currency.

However, some fund managers are considering re-entering the bond market, but fully hedging any currency risk. "I think we will move

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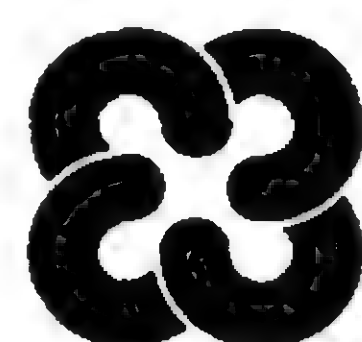
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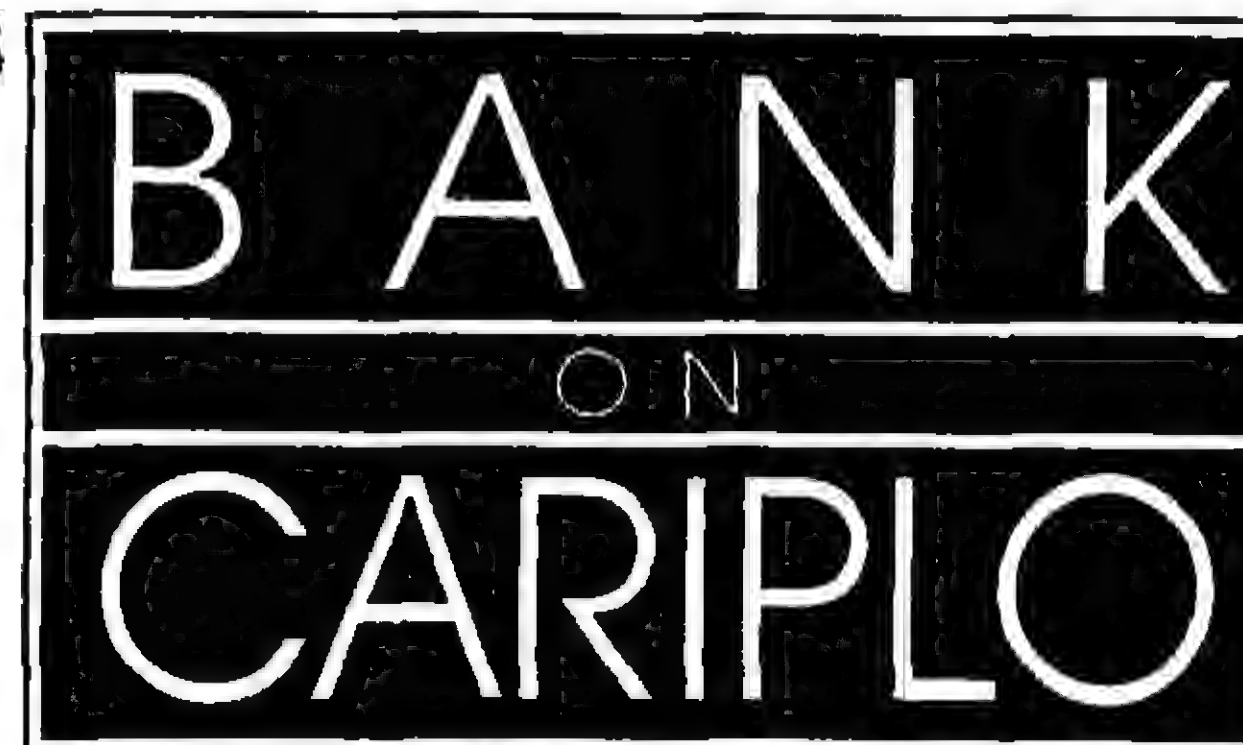
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EUROPEAN FINANCE AND INVESTMENT: ITALY 4

FINANCE FOR INDUSTRY

Slide in lira will lead to casualties

WHEN Mr. Giuliano Amato, the Italian prime minister, intervened in October to chivy banks for not cutting their interest rates fast enough after the previous month's currency turmoil, which had seen rates hit near-record levels, it was clear that finance for industry had become a key issue.

Since then, a chorus of bankers and businessmen have given their views on whether the financial system is responsive enough to the needs of industry, while the state-dominated banking system has torn the line and eased down borrowing levels.

The debate on corporate lending is by no means over, however. In late October, Mr. Carlo Azeglio Ciampi, the governor of the Bank of Italy, took what many economists saw as the significant step of directly requesting the country's banks to limit their future lira lending to domestic customers.

Under the Bank of Italy's demand for monthly details of new lending growth, banks were requested to keep credits to within precisely observed percentage limits of base levels set from the January-March period this year. Loans could go up by 3 per cent in November, 8 per cent in December and by either 7 per cent or 8 per cent monthly until March, when presumably the central bank will reassess the situation.

The Bank of Italy's decision, which for some economists is an unwelcome echo of the regulated 1970s and 1980s when lending was strictly controlled, was purely a matter of "moral suasion". The central bank gave no hint of penalties for banks which exceeded its suggested limits. But in Italy's docile banking market, it is unlikely that bankers will fail to toe the line.

As matters stand, corporate borrowers in Italy are faced with an astonishing array of choice when it comes to picking a possible lender. One reason for the multiplicity of sources are the laws introduced after the 1930s depression which divide corporate lending into two main categories.

Under the regulations, now fraying at the edges, commercial banks are limited to what the Bank of Italy calls "short-term" lending - meaning up to 18 months. The banks can also make a limited number of loans for longer periods of up to five years. The precise

amount depends on their total shareholders' funds, but the lion's share of corporate credits is of the "short term" variety.

By contrast, medium to long-term lending - defined as being for periods up to 20 years - is the domain of a special group of 11 regional medium-term credit institutions.

Such institutions specialise in structural loans for industry to finance major investments such as new plants, as well as mortgages on commercial property. The medium-term banks are owned by commercial banks in the region, along with municipal and regional authorities.

The 11 are supplemented by two special institutions, Mediobanca and Istituto Mobiliare Italiano (IMI), which combine medium to long-term loans, usually reserved for Italy's blue-chip customers, with a variety of other financial services including investment banking and corporate finance.

But there is less to the division of responsibilities than meets the eye. With agreed overdraft facilities forming the most popular instrument for industrial finance, companies commonly use rolled-over overdrafts, theoretically limited to 12 months, as a much longer-term form of credit.

"It is a distortion of the system, but short-term lending tends to be used even for companies' medium and long-term financing needs," says one banker. "With a plethora of banking relationships, companies have tended to turn lots of separate overdrafts into one effective long-term loan."

The head of marketing at a leading Italian bank explains: "We examine a company's overdraft facility once a year. But rolling it over is usually just a formality provided the company's books are healthy."

Such short-term facilities comprise around a third of the loan finance used by Italian

companies, according to figures from the Bank of Italy. The remainder is divided almost equally between supplier credits and long-term bank finance.

For many Italian companies, the prime source of finance is retained profits rather than loans. Even in recession, the tradition of ploughing back earnings into the business is firmly established. According to figures from the central bank, around 45 per cent of company financing comes from internal sources. The figure testifies to the structure of Italian industry, with its plethora of small and medium-sized family-owned companies, which still take pride in bank-rolling their growth through retained profits.

By contrast, the limited role of the stock market emerges from the fact that little over 200 companies are quoted. Last year, companies raised around L11,000bn on the bourse - around a fifth of the L60,000bn to L80,000bn provided in new money by the banking system.

Although the stock market is of little relevance in financing the corporate sector, shares comprise a surprisingly high proportion of private savings. That reflects the fact that, although few companies are quoted, many are privately owned. Thus shares comprise around 17 per cent of private savings in Italy - but only quarter of that total is composed of the equity of quoted concerns.

Even finance from specialist institutions such as merchant banks has been on the wane as a result of the lacklustre performance of the bourse - exacerbated by this year's fall in share prices.

Many of the new Italian merchant banks which sprang up in the early 1980s turned to investing in unquoted companies as an exciting new business. They believed that while

such companies could have immense product and market know-how, they were often relatively unsophisticated when it came to finance.

With the expected rise in cross-border takeovers from the liberalised European market of the 1990s, many bankers believed such companies might require their expertise in more specialised services such as corporate finance and mergers and acquisition. Eventually, the target was to float the companies - generating big profits for bankers and private family shareholders alike.

That thinking reached a peak in the boom days of the bourse in 1986, when Italian finance appeared to be undergoing a sea change with traditional lending making way for risk capital and eventual flotation.

But after the downturn on the stock market and the onset of tougher trading conditions for many smaller companies, many merchant bankers have found themselves lumbered with minority stakes which they cannot now sell. "They've ended up having to marry their clients for ever," says one economist.

Foreign currency loans, which currently account for around 1 per cent of Italian companies' overall financing, has also turned out to be a mixed blessing after the lira's recent slide.

The attractions of borrowing in low interest rate currencies such as the D-Mark or dollar - the two most common - were obvious at a time of a firm lira based on the Bank of Italy's policy of maintaining a strong currency through high interest rates. Against the D-Mark in particular, the risk of adverse exchange rate movements seemed virtually excluded thanks to the lira's presence in the exchange rate mechanism of the European Monetary System, through which relatively high Italian interest rates sucked in large amounts of foreign capital.

The devaluation of the lira has harshly spotlighted the fallacy of that reasoning. Though relatively few Italian companies have borrowed abroad - and many have hedged their exposures - the slide in the lira will inevitably cause some casualties in the sector when companies find their interest payments have become astronomically higher in lira terms than before.

Haig Simonian

Profile: CREDITO EMILIANO

Maramotti: man behind the beacon of efficiency

FEW entrepreneurs are better placed to speak on relations between banks and industry than Mr. Achille Maramotti, the self-made millionaire who has built the family-owned Max Mara women's wear group into one of the most successful international fashion names.

Mr. Maramotti, 65, combines running his group with the vice-chairmanship of Credito Emiliano, the regional bank which stands out as one of the most progressive financial institutions in Italy.

Based, like Max Mara, in Reggio Emilia in northern Italy, it is notable for slick customer services and a strong emphasis on marketing. These may be nothing special for foreigners used to smooth-running domestic bank counters, but in Italy, where at most banks the customer often seems to come last, Credito Emiliano is a beacon of efficiency.

Often the distinguishing touches are minor. No other Italian bank produces such clear and legible statements. Nor have any competitors woken up to its practice - commonplace abroad - of having just one queue for all the teller desks, reducing the risk of being stuck behind a slow customer.

"We have excellent management who comb the world for the latest ideas," says Mr. Maramotti. "We always wanted a bank which would be at the forefront of developments in the industry." At international banking exhibitions, where new ideas in technology and customer services are on display, the Credito Emiliano team is often the only Italian presence.

As the biggest single shareholder in the bank, which now has total group assets of L6,400bn and made L28.3bn after tax last year, Mr. Maramotti speaks with some authority. While he controls only 27 per cent of the stock, a pact with a rich Torinese family, the second biggest shareholder, and a handful of other local businessmen gives the

group control of the bank, which also has about 4,000 small shareholders.

Mr. Maramotti stresses he is primarily an industrialist, not a financier. "I am an industrialist who has developed a certain interest in banking," he says modestly. Day-to-day management is left to a team of professionals. "I look at this shareholding like one in any other company. But I'm not a silent partner."

Indeed, the deputy chairman clearly takes his job seriously, dividing his time between the bank and Max Mara. That combination gives Mr. Maramotti, born and raised in Emilia Romagna, the Italian region synonymous with the small and medium-sized businesses which form the country's economic backbone, a special insight when it comes to talking about banks and industry.

Unlike many competitors in clothing, who have regularly blamed excessive interest rates and inefficient banking services for some at least of Italy's economic ills, he does not think the relationship between bank and borrower is unfairly tilted towards the lender.

"Generally speaking, I think

No other Italian bank produces such clear and legible statements

the banking system works pretty well for industry," he says. "The cost of money is high because the state, with its huge borrowing needs, is the main competitor for funds. Colleagues who complain about shortcomings in the banking system or high interest rates are just looking for excuses. They should run their businesses better instead."

However, Mr. Maramotti admits to being atypical of the genre. So much so that he and his fellow shareholders recently pumped in fresh cash to support a rights issue to finance its expansion.



Achille Maramotti: interests in fashion and finance

Apart from opening more branches in its base region of Emilia Romagna, growth has also taken it into new ground in southern Italy. Credito Emiliano has bought a number of sometimes troubled banks in the south.

"As we see ourselves as innovative, we believed we could add something new to the banking system in the south. We first looked at Apulia, an economically vibrant region with a less crime-ridden image than some other parts," Mr. Maramotti says. "When we couldn't find what we wanted, we turned to Sicily instead."

The acquisitions, which have helped push up total branch numbers to 115 in 17 provinces, have now been cleaned up, he says. And the experience gained in the south has left Credito Emiliano poised to make further acquisitions there should the opportunity arise.

"We think there is a future for the bank," he says. "We have decided to focus on the medium-upper segment of the market for deposits, while we see smaller and medium-sized companies as our obvious clients for lending." So far, the strategy has worked.

A well-managed, profitable bank like Credito Emiliano is an obvious takeover target, particularly for big foreign banks which are still keen to expand in Italy. "We hope we've already reached a size which will allow us to remain independent. So we will turn down all offers," says Mr. Maramotti. "And we also believe the more we plough in to developing the company, the more it will be worth in future."

The bank's limited resources would prevent it from making a really big takeover in the hundreds of billions of lire range. But smaller deals are by no means excluded. "There are lots of other shareholders like me ready to invest in this company," says Mr. Maramotti confidently.

Haig Simonian

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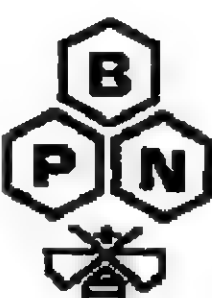
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EUROPEAN FINANCE AND INVESTMENT: ITALY 5

Profile: TANCREDI BIANCHI

A bankable professor

THE last door of a long corridor at Milan's Bocconi University is hardly the most obvious place to find the man now gently steering Italy's banks at a time of unprecedented change.

But the surroundings fit the character of Mr. Tancredi Bianchi, the professor of banking economics at Italy's most distinguished university, who was last year's surprise choice to chair the Associazione Bancaria Italiana, Italy's bankers' federation.

ABI is the mouthpiece for all Italy's banks. Sometimes, as in the early 1991 collapse of the Federconsorzi farm services group, it comes out of the shadows to play a central role in a financial drama by representing the entire system in talks with the government and foreign counterparts.

At other times, ABI keeps to the sidelines, providing detailed information to help member banks make better strategic decisions on broad macroeconomic issues or on specialised banking matters.

Mr. Bianchi, a Bocconi graduate who has been teaching at his Alma Mater for the past 13 years, prefers the second approach. Instantly recognisable for his shock of grey hair, his clipped, precise sentences are a long shot from the verbiage of some colleagues.

"I was born a university professor," he says, somewhat diffidently. But Mr. Bianchi is no wallflower when it comes to defending the Italian banking system. True, the country's banks still have a reputation for inefficiency, small networks and a negligible presence abroad, which put them in the shadow of bigger European rivals.

But many of those characteristics are legacies of rules made years ago, rather than inherent faults in the banks themselves, he emphasises. Attacks on inadequate internationalisation are unfair, he insists. Only in 1990 did Italy finally allow the free movement of capital. "Swiss banks could tell you all about investing in Australian shares or New Zealand bonds at an Italian bank, such knowledge

was useless."

Likewise, the very strict controls on branching imposed by the Bank of Italy until the beginning of the 1990s prevented banks from developing big networks. "Now things are moving, but the problem is that banks have only two ways to grow; either organically, which is slow, or through acquisitions, which is expensive."

Yet on the positive side, Mr. Bianchi points out that Italy's banks are relatively profitable - even if largely due to limited foreign competition - and

"The problem is that banks have only two ways to grow - organically, which is slow, or through acquisitions, which is expensive"

relatively well capitalised. He prefers to talk of "restructuring", rather than "rationalising" the banking system to create fewer, bigger banks able to take on the best in Europe. It is a small, but significant, nuance at a time when many medium and smaller banks are uneasy about their fates.

The Amato law on bank mergers of the late 1980s, which accelerated the pace of change by offering tax advantages to banks changing their status into that of joint stock companies, has had some effect. "Along with the European Community's Second Banking Directive, which will prepare the way for universal banking in Italy, such changes will provide the backdrop which could encourage a major leap," Mr. Bianchi says. "But we still need a few years."

It is the need for additional funds which will provide the biggest push for change as more banks tap private sector capital, he predicts. Hence privatisation of public sector banks, which currently comprise around three-quarters of the system, is less an ideological issue for Mr. Bianchi than one of pure practicality. "It's not that the public sector is inappropriate as a partner in the banking system. Rather,

the state is no longer in a position to provide funds."

This year may go down as paving the way for the greatest change. While January brought the flotation of an opening stake in Istituto Bancario San Paolo di Torino, 1992 should close with preliminary steps to privatise a number of state-owned institutions, starting with Credito Italiano. "Restructuring requires additional capital, so there is no doubt the role of private investors will grow," says Mr. Bianchi.

Looking ahead, he sees four or five really big Italian banks emerging by the end of the century. Together, they will account for around half the banking system in terms of assets. Two - San Paolo and the new Banca di Roma - have already surfaced. Cariplo, the big Milan-based savings bank which could buy the IMI financial services group, looks like the third. Finding the names for the fourth and fifth is more tricky, but Mr. Bianchi points to Banca Nazionale del Lavoro - alone or with a partner - and possibly Monte dei Paschi di Siena as the most likely candidates.

The next level down will comprise banks which are still substantial in size, but whose main focus will be on retail banking, rather than all services, he believes. And there will still be a substantial role for the municipally-owned savings banks, which currently account for around 30 per cent of the Italian banking system.

Rather than remaining locked in their current positions owing to political or regional rivalries, Mr. Bianchi expects the savings banks to form bigger units through mergers and takeovers. "There is already some movement," he says. "Some are merging, while in other cases, bigger counterparts such as Cariplo and Banca di Roma are taking minority stakes." Like most observers, he expects those minority participations to become majorities in the end.

In the meantime, more banks will have to decide on their own internal structures. Though most have traditionally adopted the so-called "polyfunctional" model, involv-



Tancredi Bianchi expects savings banks to form bigger units

ing a holding company and subsidiaries for specialised functions such as merchant banking or leasing, the concept of the universal bank is gaining ground.

In the past, the issue has sometimes been decided on fiscal grounds, with banks seeking to reduce their tax bills by choosing the most fitting structure. "If the choice were fiscally neutral, then banks could make the choice on purely organisational grounds," he says.

However, Mr. Bianchi doubts that any model will prevail. "It's not a question of winners or losers," he says. Rather, banks such as Banca Commerciale Italiana, which have tended to grow up along the "polyfunctional" path, will probably carry on that way, while others, such as Cariplo, with few subsidiaries, will probably develop their banking activities under one corporate roof.

And what of ABI in the meantime? The role of a bankers' association is to help identify the parameters that might influence important decisions for members. "Our scope is to study banks' problems. We are here to point out possible solutions, not to find answers or give orders. It's up to the banks themselves to decide on how to implement that advice."

Mr. Bianchi is now two-thirds of the way through his second year at ABI. Its rules allow the chairman up to four renewable two-year terms. "No one stays for eight years," he says. With a queue of students outside his door waiting for advice from their professor-turned-practitioner, he would clearly not be opposed to a second term. "But that is up to the members."

Haig Simonian

David Lane on obstacles to concentration among savings banks

A story of little change

"IN SPITE of generous fiscal encouragement, our banking system has shown scarce propensity to concentration. This might lead one to believe that directors' personal prospects have in some cases prevailed over the interests of the banks' owners," Mr. Guido Carli told the Italian banking association ABI earlier this year.

Mr. Carli, former governor of the Bank of Italy and treasury minister, probably had the *casse di risparmio* (savings banks) in mind. The Amato-Carli Law, enacted in July 1990, aimed at a radical reorganisation of Italian banking's large public sector.

However, mergers between *casse* have not occurred, despite exhortations from the central bank. Three years ago there were 75 *casse* and seven *monti di credito*, which are included in the savings bank category. At 80 today, the total has changed little.

Savings banks have 29 per cent of deposits in the Italian banking system and 24 per cent of lending. But most *casse* are small. The 10 largest together have about 2,200 branches. The others have networks with an average of about 35 branches.

"The Bank of Italy's encouragement of mergers has encountered resistance," admits Mr. Edoardo Fattorini, general manager of the savings banks' association, Acri. But he says that the authorities are right in aiming for a banking system with larger banks as small institutions are unable to provide the range of services and financial products that customers demand.

What strategies are therefore open to the large number of small *casse*? Takeovers and mergers are the obvious path to competitive size. But there have only been a handful. Five years ago the Cassa di Risparmio di Roma took over the Molisana savings bank after this had run into difficulties. Two years later the Cassa di Risparmio di Verona, Vicenza e Belluno acquired the troubled Ancona savings bank.

Mergers are now in prospect between the *casse* of Parma and Piacenza, and those of Pesaro and Fano.

Difficult towards mergers, Italy's *casse* are trying two other forms of togetherness. "One is the creation of

acquisition of minority stakes by large *casse* in smaller institutions," explains Mr. Fattorini. Both have been made possible by the Amato-Carli Law, which allowed the *casse* to spin off their banking operations into separate joint stock corporations from the parent foundations or associations.

The first holding was established by seven Tuscan *casse* and *monti di credito* at the end of last year, bringing into a single organisation some activities, such as data processing, training and import/export services, that were previously undertaken independently. A second holding, the Gruppo Bancario Casse Emiliane Romagnole, was formed in July. This links six institutions in Emilia Romagna and has the task of co-ordinating, directing and developing unified strategies in various operating sectors of the constituent banks.

There has been speculation about public offers of shares. Some people believe a real shake-up is needed, rather than stability

In the acquisition of minority stakes, the trail is being blazed by the Gruppo Cassa di Risparmio di Roma, which controls Banca di Roma, and by Italy's biggest savings bank, Cariplo. Milan-based Cariplo already has equity interests in 12 *casse* in central and southern Italy. "In this form of concentration, the large *cassa* provides the sophisticated services and products that are beyond the capacity of its smaller partners," explains Mr. Roberto Mazzotta, Cariplo's chairman. When reorganisation of Italy's savings banks became a talking point in the second half of the 1980s, there was concern among the small *casse* that they would be swallowed by Cariplo and the large institutions. Mr. Mazzotta, chairman of Acri as well as Cariplo, has tried to calm these fears, emphasising the importance of maintaining local identities.

"There is no reason why small and medium-sized *casse* should disappear. They have very strong links with their areas of operation, particularly with local bodies, small businesses and the family sector," he says. It is not unusual for a *cassa* to hold

more than 50 per cent of its local market.

They have had many years in which to carve out their shares. The *monti di credito* were established in the 15th century to combat usury, providing loans to the poor against assets deposited as pledges. The *casse* are more recent. The first were set up in the 19th century in northern

Italy by the Austrians. Perhaps their deep local roots have contributed to the *casse*'s reputation for highly politicised boardrooms. Mr. Mazzotta explains that members of the boards of the foundations or associations that control the banking joint stock corporations are appointed by local governments.

Chairmen are appointed by the CICR interministerial committee for credit and savings, though there will be a referendum next spring to abrogate the law which empowers central government to appoint savings banks' chairmen. "It seems certain to be approved by the electorate, thereby returning the power of appointment to local authorities," says Mr. Mazzotta, adding that this will enhance local autonomy.

It is easy to understand why politicians should be so interested in these levers of power. There are recent cases of *casse* running into difficulties because of politically-directed lending. Bank of Italy statistics show that the savings banks have worse default figures than other categories (6.1 per cent of lending against 5.1 per cent for the system overall). But Mr. Fattorini says that

there are reasons for this. The close ties to the family sector have led to higher provisions against consumer credit activity. Also, the *casse* are more rigorous in classifying their non-performing loans.

Political interest in appointments to the banks' boards is, however, probably as much in profit distribution as in lending management. Before the Amato-Carli Law, the *casse* retained part of profits for capital reinforcement and distributed part in beneficence. Little has changed. The new foundations and associations obtain dividends from the banking joint stock corporations and use these for charity and good works, giving scope for tending local political constituencies.

There has been speculation about public offers of shares in the *casse*. Indeed, Mr. Mazzotta hopes that there will be widespread share ownership with involvement by institutional investors. But Acri's chairman would not like to see the existing control disappear.

"There should be no takeovers. Stability should be guaranteed by the foundations and associations." However, some people believe a real shake-up is needed, rather than stability. Mr. Mazzotta talks of arriving at three or four large groups in the next five years. But in making retention of local character the main priority, and in satisfying the politicians' appetite for boardroom power, Italy's *casse* have dodged the reorganisation issue.

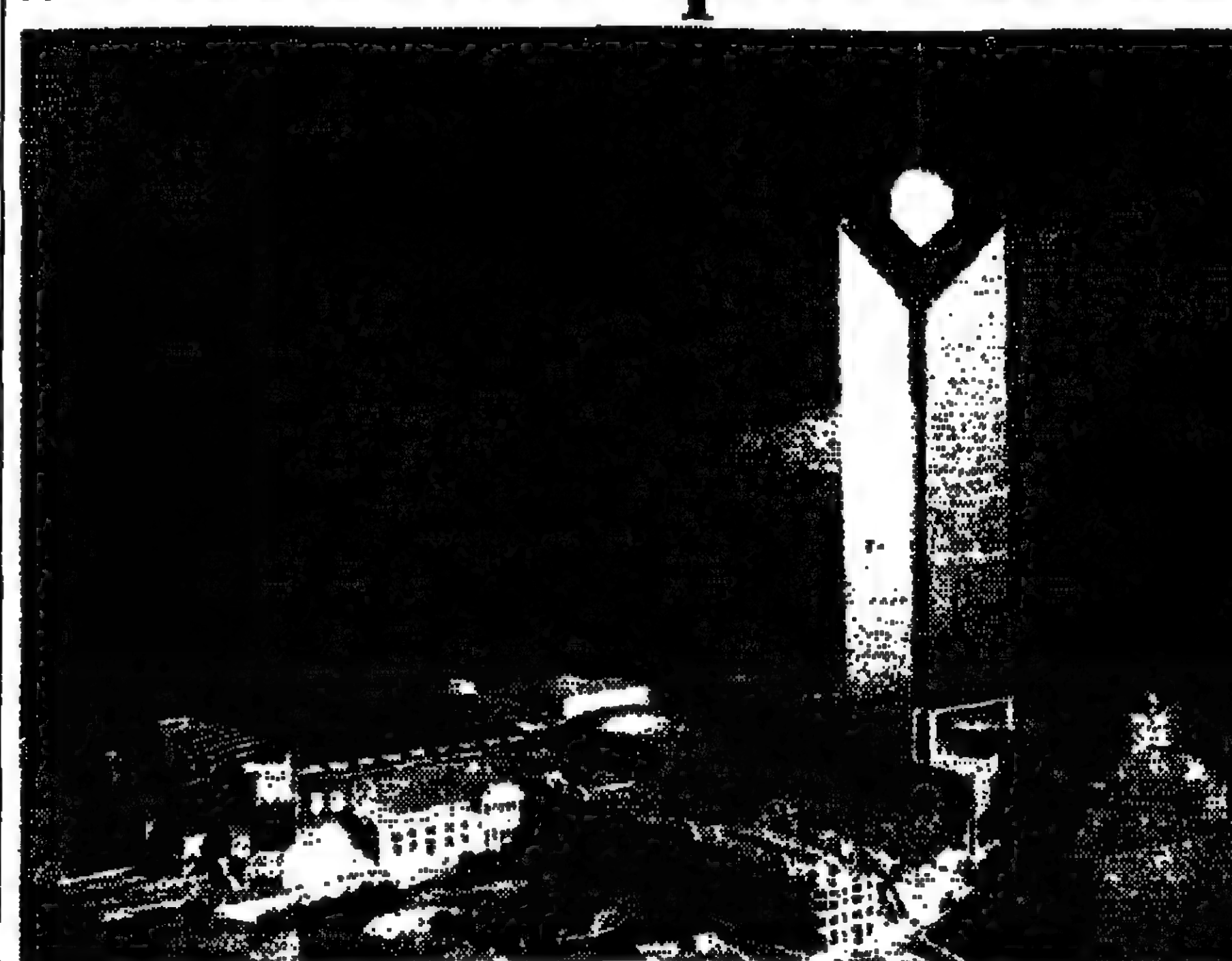
One hundred years ago Italy had 200 savings banks. Their number was sharply reduced by legislation in 1926 which made mergers obligatory. Perhaps Mr. Carli should have included a similar measure in the Amato-Carli Law.

The main savings banks (figures in Lbn)

	Total assets	Customer deposits	Net equity	Operating income	Branches
Cariplo	108,504	71,278	8,690	958	505
Cassa di Roma	32,142	18,571	2,376	188	299
Verona Vicenza	20,060	10,898	1,830	409	237
Belluno	15,417	9,722	1,010	238	195
Firenze	15,287	10,408	467	98	238
Sicilia	13,776	7,236	1,333	326	148
Padova Rovigo	10,081	7,068	805	193	147
Genova Imperia	10,598	5,377	1,031	93	88
Carimonte	10,015	6,637	792	75	122
Catania Lucania	8,962	6,989	396	2	150

Source: Il Mondo

CONTRACTS Manchester sports arena



BOVIS NORTH is to build the 250m Victoria Station indoor sports arena. An essential element in Manchester's bid to bring the Olympics to the city

in the year 2000, the arena will provide the high standard of facilities needed to stage a wide range of sports activities with seating for 18,000.

Bovis North has started preliminary demolition. Building work will begin in January, with the first of four new platforms due to open in June.

Supplying equipment to power stations

NEI INTERNATIONAL COMBUSTION has won orders for power station combustion equipment worth £25m in the UK and US.

In Britain, the company has won an order worth £18m to provide the waste heat recovery

steam generators for National Power at the company's gas-fired combined cycle power station at Deeside.

In the US, the group has signed a further contract for the supply of combustion equipment to Georgia Power.

The contract is part of a four unit order worth more than £7m.

The Deeside commission was placed by NEI ABB Gas Turbines, which won the order to construct the 500MW plant last year.

Business centre development in Kent

The CAPITA GROUP has won a five-year contract worth £15m from Kent County Council, which will involve the operation of the Council's central mainframes and corporate data network and will significantly reduce Kent's spread on its central IT (information technology) services.

In addition to the 50 central IT personnel from Kent being

offered the opportunity to transfer to the Capita payroll, over 150 jobs will be created at the centre. The business centre will occupy some 25,000 sq ft and house a wide range of hardware, software and computer-based services to meet the needs of other interested customers.

As part of the contract Capita will establish a new multi-purpose business centre at the Kings Hill business park at West Malling near Maidstone, from where a wide range of managed services will be provided.

In addition to the 50 central IT personnel from Kent being

offered the opportunity to transfer to the Capita payroll, over 150 jobs will be created at the centre. The business centre will occupy some 25,000 sq ft and house a wide range of hardware, software and computer-based services to meet the needs of other interested customers.

£7m orders won by Willmott Dixon

WILLMOTT DIXON SYMES' order book has been given a boost with awards of £7m worth of building work in London.

In Covent Garden Willmott Dixon Symes is working on the refurbishment of two adjoining Victorian buildings at the junction of Maiden Lane and South-

ampton Street.

The £1.2m contract, for National Provident Institution, involves knocking the two buildings into one, carrying out a total internal refit and considerable structural work on the exterior of the buildings

to restore their period brick facades.

A similar contract, worth £867,000, is under way in Hammersmith, where a Georgian building is being converted into a Deas restaurant as part of the Bredero Centre West development.

Treating water in Kuwait

The BRISTOL BABCOCK process control group, part of FKI, has won a £38m contract from Kuwait's Ministry of Electricity and Water to repair a desalination treatment plant in Kuwait City damaged in the Gulf War.

FKI has now won total contracts worth more than £45m from the electricity and water ministry.

Work on the contract to repair the Shuwaik desalination treatment plant in Kuwait City will take about 13 months to complete.

Korean brewery

APV has been awarded a major brewery project worth about £15m in Korea for Jinro Coors Brewing Company, a joint venture company established between Coors Brewing Company of the US and Jinro of Korea.

As part of a major greenfield brewery project, APV will be providing project management, engineering, installation services and equipment supply for the complete beer processing facilities.

Services are being provided from APV project management and engineering teams in Denmark, Germany and the US and equipment will be supplied from APV factories worldwide. The project completion is scheduled for early 1994.

Mr. Richard Penny, executive director and chief executive of APV's liquid food division said: "The Jinro Coors award is a landmark project for APV. This is a major facility in a part of the world where we anticipate further growth. Our award is a strong signal to the brewing industry worldwide of our capabilities and our commitment to this sector."

Remote monitoring

A detailed design contract for remote monitoring of a production platform in the North Sea has been won by KVAER-NEK ENGINEERING, part of Norway's Kvaerner group. Placed by Ekofisk operator Phillips Petroleum, the NKR5m contract (£470,000) relates to the 24 Delta platform - also known as West Ekofisk.

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	Dec 14	Dec 11	Dec 10	Dec 9	Dec 8	Year ago	1992		Since High	comparable Low
							High	Low		
FT-SE 100	2721.8	2716.2	2726.5	2750.7	2769.8	2440.8	2782.0	2281.0	2792.0	508.0
FT-SE MID 250	2667.9	2620.2	2665.6	2672.5	2682.0	2370.5	2825.5	2157.8	2825.8	1371.0
FT-SE-A 350	1320.8	1318.0	1322.4	1332.4	1340.7	1182.1	1345.5	1103.1	1345.5	641.0
									11/92	14/91
Monthly	Open	9.00	11.00	11.00	12.00	13.00	14.00	15.00	16.00	High/Low
FT-SE 100	2705.8	2723.5	2720.5	2712.0	2716.5	2716.4	2715.1	2717.2	2721.9	2726.1 / 2705.8
FT-SE MID 250	2656.8	2650.7	2660.1	2653.5	2660.9	2661.9	2662.2	2664.1	2665.0	2667.9 / 2655.5
FT-SE-A 350	1314.5	1320.7	1319.9	1318.0	1318.0	1318.1	1317.8	1318.6	1320.2	1321.7 / 1314.5

EQUITY GROUPS	Monday December 14 1992	Fri Dec	Thu Dec	Wed Dec	Yes
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EQUITY GROUPS	Monday December 14 1992	Fri Dec	Thu Dec	Wed Dec	Yes
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Monday December 14 1972	DEC 11	DEC 10	DEC 9	ag Lapp
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	Est. Earnings	Gross Div.	Est. P/E	ad adj.
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Index No.	Day's Change	Yield% (Max.)	Yield% (Act. at close)	Ratio (Net)	1992 to date	Index No.	Index No.	Index No.	Index No.
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1	CAPITAL GOODS\$ (175)	802 85	7 03	5 34	18 53	31 00	802 48	802 53	803 18	743
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2) Building Materials (23)	798.83	-0.9	6.37	6.76	22.40	40.39	806.05	799.87	791.52	890
3) Contracting, Construction (26)	648.03	-0.3	4.24	7.65	64.35	37.49	646.14	646.75	648.77	900

4	Electricals (9)	2287.97	-0.5	7.34	6.61	17.81	109.61	2298.64	2237.73	2280.03	2370
5	Electronics (28)	2178.49	-0.2	7.24	3.84	17.07	53.80	2177.01	2177.01	2170.07	1770

6	Engineering-Aerospace (6)	269.65	+1.0	13.13	8.71	9.69	16.18	266.92	263.98	264.07	326
7	Engineering-General (83)	16.8		8.4	6.4	16.77	17.35	66.77	64.13	65.57	326

8 Metals and Metal Forming (7)	2% 84	+0.5	5.73	4.34	25.45	9.49	295.39	296.17	301.72	304
9 Motors (15)	3% 04	-0.1	5.06	4.30	28.00	17.77	297.39	298.38	300.13	300

10	Other Industrials (18)	1865.04	+0.5	6.69	4.50	18.05	62.07	1856.37	1866.98	1870.81	1489
21	CONSUMER GROUP (181)	1701.40	+0.3	2.26	7.24	18.15	57.95	1700.54	1701.55	1701.55	1489

22	Brewers and Distillers (25)	1970.84	8.43	3.84	14.35	54.23	1970.85	1963.27	1989.74	1908.
25	Food Manufacturers (19)	1977.46	8.24	4.34	14.35	54.23	1970.85	1963.27	1989.74	1908.

26	Food Retailing (18)	3151.13	+2.0	8.17	2.98	15.92	70.26	3121.45	3148.66	3149.63	2379
27	Health and Household (26)	4132.70	-0.5	5.18	3.12	37.15	58.03	4123.71	4132.70	4132.70	2379

17	Food and Restaurants (20)	1,553.70	-0.4	5.14	2.62	22.85	88.04	1,444.96	1,444.70	4,404.40	4,144.1
20	Hotels and Leisure (18)	1,191.66	-0.3	7.02	5.78	18.73	46.03	1,195.29	1,190.94	1,208.67	1,206.1
30	Media (25)	1,742.07	-0.1	5.31	2.83	31.83	38.46	1,745.12	1,737.61	1,753.22	1,751.2

31	Packaging, Paper & Printing (17).....	754.29	+0.3	6.92	4.31	17.91	24.33	751.75	752.27	761.49	728
----	---------------------------------------	--------	------	------	------	-------	-------	--------	--------	--------	-----

34	Stores (33)	1112.68	40.4	6.57	3.27	20.15	26.56	1108.28	1111.40	1130.17	991
35	Textiles (10)	700.60		6.79	4.35	18.58	23.64	700.40	705.82	705.63	588

40	OTHER GROUPS (128)	131.97	+0.2	9.11	5.08	13.62	50.02	1369.17	1381.36	1392.98	117.8
41	Business Services (17)	1409.74	+1.4	6.29	3.61	19.47	36.28	1389.85	1393.31	1399.66	1346

42	Chemicals (22).....	1370.44	-0.1	6.68	5.35	18.98	54.80	1372.80	1381.99	1382.74	1367
43	Conglomerates (10).....	1311.36	-0.4	9.97	9.03	12.43	54.22	1316.44	1335.93	1359.45	1286

BRITISH FUNDS - Cont.

8.30	7.30	WATER SUPPLY LINE 2012	182 1/2	182 1/2	93 1/2	8.81	8.75	OTHER FIXED INTEREST
8.31	7.30	Sec 2012 A	182 1/2	182 1/2	94 1/2	8.81	8.76	

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Mild reprieve for French franc

THE FRENCH FRANC yesterday recovered some of the ground that it lost against the D-Mark last Friday, but the currency weakened in the European afternoon amidst rumours that the Bundesbank will not support the franc in the autumn, writes James Blitz.

In the early stages of European trading yesterday, the D-Mark demonstrated weakness against other currencies. Dealers were impressed by the results of the summit of European leaders in Edinburgh, in particular the agreement on a Community budget and Denmark's decision to hold a second referendum on European Monetary Union in the summer.

The French franc consequently appreciated to a high of FF3.3970 against the D-Mark in the morning, having closed in Europe on Friday night at FF3.4180. Sterling also benefited from the news from Edinburgh, peaking in the morning at DM2.4552 after closing on Friday night at DM2.4575.

In the afternoon, however, the franc's strength was sapped by rumours that the Bundesbank had told the French authorities that there

would be a limit in future on the amounts they would spend supporting the French currency. That rumour was not confirmed, but the currency closed at FF3.4110 against the D-Mark.

The net effect of yesterday's moves was to remove some of the stress that had plagued the system last week. The Danish krone closed at DK3.8556 to the D-Mark, having been as low as DK2.8950 the previous week. This came despite a 1 percentage point cut in Denmark's Certificate of Deposit interest rates from 15 per cent to 14 per cent yesterday.

Analysts believe that the French franc may only be enjoying a reprieve because of the unwillingness of traders to take open positions in the run-up to the New Year. Mr David Cocker, an economist at Chemical Bank in London, says that the franc is suffering from large-scale hedging by investment funds who are not

selling assets, but protecting their equities by restructuring their currency portfolios.

Mr Steve Hannah, head of research at IBS International, is moving towards thinking that a French franc devaluation may happen. But he still thinks the French and German authorities will avoid it, "fighting a devaluation tooth and nail".

Mr Hannah believes three factors will make the Bundesbank's icy unwillingness to ease policy. First, prospects of a German recession are worsening, with the Ifo institute yesterday predicting a fall in German GDP of 0.5 per cent next year. Secondly, German unions seem to be settling for wage rises of 0 per cent in real terms. And, he believes, falling business activity will trigger a fall in M3 money supply next year, with M3 dropping to the lower end of the Bundesbank's new target range.

EMS EUROPEAN CURRENCY UNIT RATES

	Eu Central Rates	Currency Amounts Against, Eu Dec 14	% Change from Central Rate	% Spread vs. Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	175.375	-3.74	5.06	62
Spanish Peseta	143.386	139.882	-2.44	3.66	42
Dutch Guilder	2.21958	2.20498	-0.66	1.79	31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

NASDAQ NATIONAL MARKET[illegible][illegible][illegible]

Quantum	11	3295	16 1/2	16	16 1/2	-1/2
Quickstart	270	101	6 1/2	6 1/2	6 1/2	-1/2
One Night	30	7451	37 1/2	38	36	-1 1/2

[illegible]

KelleyOH	61	17	6 $\frac{1}{2}$	6 $\frac{1}{2}$	6 $\frac{1}{2}$	+ $\frac{1}{2}$	Roosevelt	0.00	9	46	23 $\frac{1}{2}$	22 $\frac{1}{2}$	25 $\frac{1}{2}$	+ $\frac{1}{2}$
Kelly Sw	0.76	38	188	42 $\frac{1}{2}$	41 $\frac{1}{2}$	42	+ $\frac{1}{2}$	Ross Str	14	1011	19 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$	- $\frac{1}{2}$
KanCentrl	0.44	18	338	9 $\frac{1}{2}$	9	9	- $\frac{1}{2}$	Russ Co =	0.00368	906	15 $\frac{1}{2}$	14 $\frac{1}{2}$	14 $\frac{1}{2}$	- $\frac{1}{2}$

Kemadsky	0.11	6	8	11½	10½	11½	RPM Inc.	0.46	22	824	17½	17	17½	-½
KRIBBIL	0.76	14	48	25½	24½	25½	RSP Fin	0.20	14	41	17	18½	18½	0
Kirschner		13	84	8	8½	8½	Ryan Ferry		20	1288	10½	10½	10½	+½
KLA Inc		13	110	12½	11½	11½								
Kowalewski		30	109	14½	14½	14½								

Data sources: "International Air Travel Survey (IATS) Europe 1990 and

Kennedy Inc	30	012	18 1/4	18 1/4	+1 1/2	- \$ -	
Kulich &	4	200	6 1/4	6 1/4			
Salmon Cp	1.64	12	18 7/8	18 7/8	+1 1/2		
Sanderson	0.30	27	6 18 1/2	18 1/2	- 3/4		

-L-					Schmiedt	0.28	18	67	27 $\frac{1}{2}$	27 $\frac{1}{2}$	-1 $\frac{1}{2}$	<div style="border: 1px solid black; padding: 5px; display: inline-block;">FISHERIES</div>	
+4					Sol Hess L		26	1817	67 $\frac{1}{2}$	58	58 $\frac{1}{2}$		
LDDS A	25	1243	41	38 $\frac{1}{2}$	46 $\frac{1}{2}$	+4	SCS Sygne	58	1845	116 $\frac{1}{2}$	10 $\frac{1}{2}$		+4
La Postle	437	5	9	8 $\frac{1}{2}$	8 $\frac{1}{2}$	-4	Sciros	1	308	9 $\frac{1}{2}$	9 $\frac{1}{2}$		-4

AMERICA

Attention
moves on to
Little Rock

Wall Street

US share prices were mixed in light trading at midsession as investors awaited new data on the economy, writes Patrick Harverson in New York.

By 1 pm the Dow Jones Industrial Average was up 2.41 at 3,306.52, having spent all morning only a few points above Friday's close. The more broadly based Standard & Poor's 500 was also slightly firmer at the halfway stage, up 0.43 at 434.16, while the Amex composite edged 0.30 lower to 383.08 and the Nasdaq composite eased 0.08 to 655.71. Turnover on the NYSE was 108m shares by 1 pm, and rises marginally outpaced declines by 888 to 806.

Trading was relatively subdued at the start, with dealing at some firms affected by the continued clean-up following the massive storm that struck New York on Friday and over the weekend.

On the economic front there was nothing new for investors to chew on with all the forthcoming data - on auto sales, business inventories, industrial production and jobless claims - due out later in the week.

This meant that attention switched to Little Rock, Arkansas, where President-elect Bill Clinton was holding his two-day economic summit for business leaders. Although the summit was being closely watched by investors for any hints at the likely direction of future economic policy, analysts expected little new to come out of the meetings.

Among individual stocks, General Motors slipped 3/4 to \$33 as union leaders prepared to unveil an early-retirement plan which will allow the financially strapped motor manufacturer to lay off thousands of workers.

The other big two car companies were in mixed form, with Chrysler up 3/4 at \$32 1/4 but Ford 3/4 easier at \$42 1/4.

Harley-Davidson fell 1/4 to \$36 after the motorcycle manufacturer said that it would record a reserve of \$5.6m in the fourth quarter to cover costs from two product recalls.

PSI Resources firmed 5/8 to \$19 1/4 in turnover of more than 1/2m shares on the news of a pact to merge PSI with Cincinnati Gas & Electric into a new corporation through a conversion of stock. Cincinnati Gas & Electric fell 1/4 to \$23 1/4.

Gladier Water, which warned late on Friday that its earnings for the full-year 1992 will be 11 per cent below the 62 cents a share it had originally projected, dropped 2 1/4 to \$10 on the American Stock Exchange.

On the Nasdaq market, leading stocks were mixed. Biogen, which had risen sharply last week on hopes of higher earnings, firmed 3/4 to \$47 1/4. Microsoft climbed 1 1/4 to \$88 1/4. Sun Microsystems held steady at \$32 1/4. Apple eased 3/4 to \$57 1/4 and Dell Computer dropped 1 1/4 to \$39 1/4.

Canada

TORONTO traded in a narrow range at midsession with the TSE-300 index putting on a 3.71 to 3,271.2 in volume of 21.6m shares. Declining issues outpaced advances by 256 to 236 with 282 unchanged.

Banking shares were higher, bolstered by a round of prime lending rate cuts by several major Canadian banks to 8 1/4 per cent from 8 3/4 per cent.

The Royal Bank of Canada firmed 1/4 to C\$23.10, Toronto-Dominion C\$24.16, Bank of Montreal C\$24.33 and Scotiabank C\$23.73.

SOUTH AFRICA

A WEAKER financial rand and indications of a stronger bullion price gave a boost to sentiment. The gold index advanced 17 to 833, industrials put on 15 to 4,331 and the overall index was up 6 to 3,244. De Beers added 25 cents to R59.50.

EUROPE

Eurotrack down despite Spanish celebrations

CELEBRATIONS in Spain after its weekend winnings at the Edinburgh EC summit, and an extension of last week's Swiss recovery were not enough to take the FT-SE Eurotrack 100 index into positive territory, writes our Markets Staff. Nervous selling in France, Germany and Italy carried more weight.

PARIS featured the Total warning that 1992 earnings would be much weaker than the year before. The CAC-40 index lost 20.44 to 1,738.28 in turnover of FF1.56m.

Total, down FF6.7 at FF227.90, said that the fall in full year earnings could be as much as 47 per cent but that the group would maintain the FF7 dividend. The warning affected other stocks and Elf, which said last week that it expects a 35 per cent drop in 1992 net profit, shed FF5.90 to FF233.30.

LVMH, down FF6.80 at FF243.43, continued to feel the effects of last week's gloomy forecasts from the UK drinks group. Guinness, in which it has a cross shareholding, as

FT-SE Actuaries Share Indices

December 14										THE EUROPEAN SERIES				
Hourly changes														
FT-SE Eurotrack 100	1042.24	1041.74	1041.01	1041.82	1039.30	1038.16	1040.89	1041.18	1041.18					
FT-SE Eurotrack 200	1117.09	1115.73	1114.69	1115.54	1114.54	1113.97	1115.70	1116.33	1116.33					
										Dec 11	Dec 10	Dec 9	Dec 8	Dec 7
FT-SE Eurotrack 100										1044.03	1049.63	1054.06	1051.12	1056.02
FT-SE Eurotrack 200										1117.72	1123.58	1133.46	1135.64	1137.52
Base value: 1000 (25/10/97) (negative: 100, -1042.32, 200, -1127.72) London: 100, -1038.20, 200, -1122.62														

Base value 1000 (1989/90) High/Low: 100 - 1042.25 - 1117.72 Low/Low: 100 - 1038.16 - 1115.70

French brokers downgraded the stock.

FRANKFURT digested a mixed bag of brokers' comments after last week's losses, and took its declines to a fifth straight day in thin trading. The DAX index ended down 6.26 at 1,469.75, its lowest for nearly two months, as turnover fell from DM4.9bn to DM3.1bn.

Volkswagen and Klöckner-Werke led the losers. VW said that it was planning 12 days of short-term working in the first quarter of 1993 and the steel-maker returned from suspension after filing for court protection from its creditors. VW touched a new 1992 low

of DM238 before steadily to close DM6 down at DM241 on the session; it recovered further to DM243.50 in London. KW resumed trading after a one-day halt, dropping DM17.50 to a new 1992 low of DM41.

Retailers weakened on less than spectacular pre-Christmas sales. Kaufhof dropped DM12 to DM479 and Asko by DM19 to DM656. In the construction sector, Bilfinger & Berger lost DM23 to DM787 and Hochtief DM20 to DM920.

MADRID improved strongly as a number of positive factors converged: November inflation figures showed a fall in the year-on-year rate from 5.2 to 5.1 per cent; there was reaction to

Friday's cut in the reserve requirement for banks by the Bank of Spain; and satisfaction about the deal which Spain had achieved at the Edinburgh summit. The general index put on 3.20 to 215.53 in good turnover of some Pta15bn.

Banks were in favour with Popular up Pta250 or 2.3 per cent at Pta10,950 and BBV by Pta55 to Pta2,465. Repsol was lifted as foreign institutions switched out of other European oil stocks, and closed Pta45 higher at Pta2,765.

MILAN dropped on poor economic data and privatisation nerves. The three banks due for privatisation were the hardest hit as the Comit index fell 9.29, or 2.2 per cent to 413.52.

BCI fell L287, or 6 per cent to L4,168; Credito Italiano dropped to L2,640, down L149, on the kerf and Banca di Roma was indicating L1,675 on the kerf after closing officially L1,448 lower at L1,740. Investors were worried that political

fighting might impede the privatisation process. ZURICH extended last week's rally, the SMI index

closing 21.7 higher at a new 1992 high of 2,015.3. Banks were mixed but SBC rose Sfr6 to Sfr287 on the attraction of its dividend yield; among pharmaceuticals, Roche certificates rose Sfr30 Sfr4,010 and, in foods, Nestlé put on Sfr25 to Sfr1,115.

AMSTERDAM saw DSM continue Friday's slide as the group confirmed that it plans to cut back production of polymers and the CBS Tendency index shed 0.7 to 104.0.

DSM closed down F13.40 or 4.5 per cent at F171.40 while Hoogovens was 30 cents down at F122.50 on worries over the European steel industry.

BRUSSELS closed down for the fourth consecutive session as the Bel-20 index shed 3.91 to L1,126.5. Solvay, which had earlier hit a new 1992 low of Bfr10,860, managed to recover just before the close to end Bfr100 higher at Bfr11,200.

Petrofina, which said after the close that it may cut its 1992 dividend by 50 per cent from Bfr421 in 1991, managed a Bfr10 rise to Bfr7,950. OSLO continued Friday's fall

on profit-taking and the all-share index slipped 9.86 or 2.5 per cent to 376.07. Investors also remained uncertain whether the government's fiscal package to boost industry would be approved by parliament.

The industry index was down 15.38 at 670.39. Norsk Hydro losing Nkr4 to Nkr150. Shipping lost 12.99 to 321.19 with Bergesen A losing Nkr5 to Nkr100 and the B shares down Nkr5.50 at Nkr100.50.

STOCKHOLM was stronger with the ADAX index up 5.6 at 888.7 in turnover of SKr505m.

The banking and financial sector reversed Friday's falls with S-E Banken A shares rising SKr1.50 to SKr11.50. Trelleborg B shares closed up SKr1.50 at SKr38.50.

HELSINKI continued to fall on profit-taking after recent strong gains, the Hex index closing 15.3, or 1.9 per cent lower at 840.7. Bank and finance company shares declined by 4.9 per cent and the forestry sector by just 1.6 per cent.

ASIA PACIFIC

Nikkei falls on profit-taking and arbitrage selling

Tokyo

SHARES LOST ground as arbitrage selling and profit-taking outweighed small hot buying by public funds and bargain hunters, writes Emiko Terazono in Tokyo.

The 225-stock Nikkei average fell 151.05 to 17,289.97, having opened at the day's high of 17,421.97 before slowly losing ground throughout the day, and hitting the day's low of 17,255.47 just before the close.

Volume dropped to 150m shares from 511m. Declines led advances by 673 to 275, with 193 issues unchanged. The Topix index of all first section stocks slipped 8.80 to 1,316.35, and in London the S&P/Nikkei 50 index shed 1.24 to 1,061.96.

Investors failed to find trading incentives in last Friday's main events, the Bank of Japan tankan (quarterly business sentiment report) or the Japanese cabinet reshuffle. Mr

Jason James, strategist at James Capel, said the BoJ survey contained no surprises and that the reported comments of Mr Yoshio Hayashi, the new minister of finance, that he did not intend to cut income taxes did not provide insight to future policy.

Foreign investors became net buyers of stock in the week of November 30 to December 4 for the first time in five weeks. Although some traders hope that further foreign interest will lift trading in the near term, most overseas investors face a year-end closing of books, and are unlikely to take an active role in the market.

Traders said issues which are seen as beneficiaries of asset revaluation, requires by the international consolidation of accounting laws in 1993, gained ground. Assets at most Japanese companies are currently booked at initial purchase prices rather than at market levels. Nippon Tele-

graph and Telephone advanced Y7,000 to Y650,000.

Short-covering supported Nippon Housing Loan, the troubled housing loan company. The issue was the most actively traded of the day, rising Y6 to Y234.

Interest rate-sensitive stocks weakened on disappointment over the failure of the central bank to cut the official discount rate. Financial shares and large-capital issues

receded on profit-taking: Industrial Bank of Japan dipped Y30 to Y2,530, Nomura Securities Y10 to Y1,500 and Nippon Steel Y1 to Y290.

High-technology stocks were hurt by profit-taking. Hitachi relinquished Y4 to Y741 and Fujitsu lost Y18 to Y562.

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Senior bourses lead Europe into decline

MARKETS IN PERSPECTIVE

	% change in local currency			% change starting in US \$		
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1991	Start of 1990
Austria	-1.37	-1.75	-14.33	-13.99	-0.78	-17.35
Belgium	-0.82	-1.00	+0.22	-2.66	+12.48	-8.30
Denmark	+3.96	-0.16	-21.95	-22.43	-10.48	-25.43
Finland	+1.98	+9.10	+17.80	+16.98	+13.75	-5.29
France	-1.04	-1.70	+1.69	-0.28	+15.16	-1.07
Germany	-3.00	-4.44	-7.04	-9.07	+5.04	-12.50
Ireland	-1.98	+5.51	-14.92	-17.23	-5.44	-21.24
Italy	-0.18	-8.26	-8.91	-12.94	-13.83	-28.23
Netherlands	+0.51	+1.66	+7.29	+5.05	+21.52	+1.22
Norway	+3.69	+18.54	-7.32	-6.78	-2.05	-18.41
Spain	+0.44	+6.50	-9.44	-12.30	-9.71	-24.79
Sweden	+1.86	+21.65	+15.89	+12.40	+10.23	-9.18
Switzerland	+2.67	+3.29	+20.62	+16.33	+34.68	+12.18
UK	+1.36	+1.01	+13.96	+9.35	+9.35	-8.91
EUROPE	-0.79	+0.34	+6.05	+2.06	+9.36	-8.91
Australia	+5.17	+10.49	-8.40	-11.55	-3.55	-19.66
Hong Kong	-0.82	-18.84	+23.84	+18.48	+42.91	+19.03
Japan	+1.70	+6.63	-19.19	-21.74	-5.18	-21.01
Malaysia	-1.58	-3.94	+22.26	+17.04	-50.39	-25.28
New Zealand	-0.07	+10.67	+0.25	-6.02	+1.95	-10.09
Singapore	-0.25	+0.99	-1.46	-7.05	+10.35	-9.08
Canada	-0.68	+0.19	-4.24	-8.19	-0.14	-16.32
USA	+0.28	+2.51	+15.00	+4.22	+25.11	-2.22
Mexico	+2.30	+7.17	+01.94	+19.38	+40.05	-15.96
South Africa	+0.27	+7.24	-11.34	-9.38	-26.44	-39.14
WORLD INDEX	+0.41	+2.71	+1.04	-0.74	+10.66	-7.82

1 Based on December 11th 1992. Copyright: The Financial Times Limited, Goldman Sachs & Co., and County NatWest Securities.

By William Cochrane

There was another Nordic flurry last week as the devaluation of the Norwegian crown took place, but Europe's big bourses reflected industrial recession. It took a 1.7 per cent rise in Japan to leave the FT-Actuaries World Index with a 0.4 per cent gain.

Tokyo moved from caution to recovery hopes ahead of the Bank of Japan's quarterly survey on business sentiment, which brought out profit-takers last Friday as it showed that confidence had fallen to its lowest level since 1975.

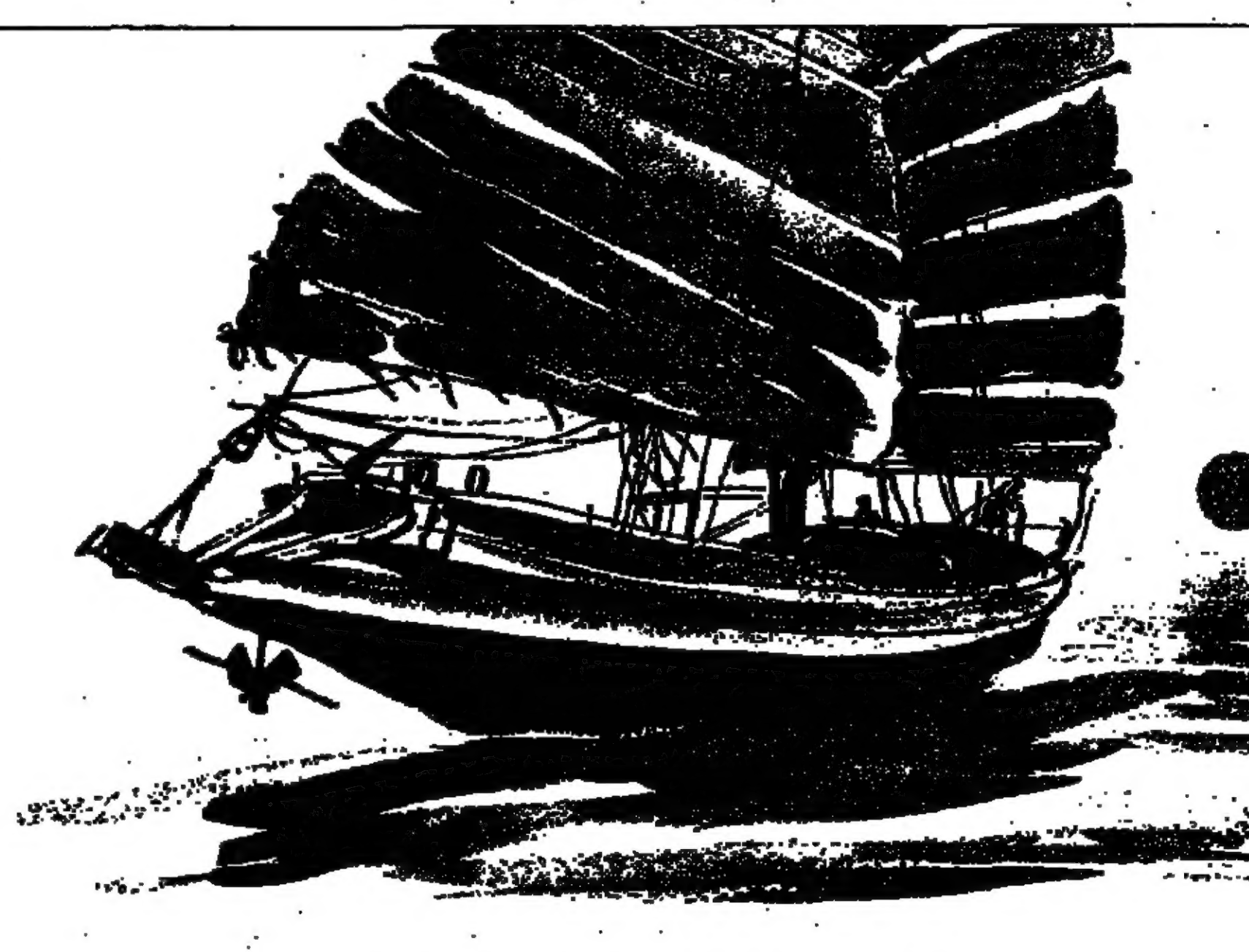
Wall Street, with the Dow held back by fears for majors such as IBM and General Motors, saw new midweek highs in more broadly based indices and a rainstorm which flooded parts of downtown Manhattan last Friday. Overall, it produced an average performance.

Falls in Germany, the UK and France were the main reasons behind a 0.8 per cent decline in Europe. Mr Andrew

Bel, director of European strategy at Barclays de Zoete Wedd, says Germany is moving into recession and that the market is too high on a p/e basis, especially in view of the prospect of a further annual fall in earnings next year.

UK pundits put last week's slide in London down to profit-taking after a good run. France, although its economy is placed among the soundest in Europe, is seeing problems in the Parisian property market, gloomy news from the corporate sector in general and a slippage in earnings forecasts.

Switzerland, however, provided some relief. Having discounted a negative vote in the referendum on membership of the European Economic Area (EEA), it rose on the news last Monday and extended its gains to close the week 2.7 per cent higher. Mr Bell observes that pharmaceuticals, food and financials add up to some three-quarters of the market and that this, together with the return of the Swiss franc as a safe haven for investors, makes a comforting contrast to prospects elsewhere.



LOMBARD, ODIER & CIE CAST ANCHOR IN TOKYO.

To be continued

Lombard Odier & Cie have been private bankers in Geneva since 1798.

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